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This Publication consists of nine articles that were originally prepared for a 1975 conference on "Critical Issues in Educational Finance," which was cosponsored by the Virginia Institute for Educational Finance, the Institutes on Education (Madison College), and the Virginia Association of School Executives. Included are the following articles: "Financing, Politics, and Educational Adequacy," by Martin Burlingame; "Judicial Standards of Equality: A Definitional Problem," by Kern Alexander; "Fiscal Equalization: State v. Federal," by Richard E. Salmon; "Special Education: Financial and Legal Ramifications," by Ernest Singletary; "Financing Capital Outlay," by David Alexander; "State Lotteries and Their Impact on Educational Institutions," by Walter S. Griggs; "The Crisis in the Finance of Higher Education: Adjusting to a Declining and Changing Clientele," by Robert O. Riggs; "Critical Trends and Issues in Public Junior and Community College Finance," by Daniel R. Gerber; and "Vocational/Special Education and Cost Differentials," by James A. Hale. (JG)

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CRITICAL ISSUES IN EDUCATIONAL FINANCE

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Chapter 1

FINANCING, POLITICS AND EDUCATIONAL ADEQUACY

Martin Burlingame[*]

That we have entered some new age in America concerning public schools seems evident. The last decade has seen a spate of articles, books and reports probing the weaknesses and offering remedies for the reconstruction of education. Evident also is the contrary nature of these proposals. For example, the movement to provide professional certification for teachers to insure their quality is now attacked as an impediment to quality. Or, schools are either too prone or too resistant to change. Widespread agreement on the general deficiency of schooling has not lead to a singular remedy but rather to widespread disagreement about what ought to be done.

Scholarly understanding of these public debates has grown geometrically in the last few years. Increasingly, centers of policy studies are being founded which seek the integration of disciplinary bases and synthetic wisdom to examine and offer policy solutions. Often funded by private foundations, and less frequently by the federal government, these centers are resources for reevaluations of major societal activities including education. Economists, political scientists, historians and philosophers work side by side formulating criteria for both existing policy and new policy. Perhaps the most singular characteristic of this new era is not the discontent with existing educational policy so much as the persistence and increasingly systematic development of new alternatives.

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In this quest for the development of new policy for education certain problems persist. Two of them are the foci of this presentation: first, the increasing politicizing of education and second, the increasing effort to link funds and educational adequacy.

The Politicizing of Education

Since the early 1960's a small band of scholars have applied concepts drawn from political science to educational activities.[1] Writers such as Campbell, Cunningham, Iannaccone, Kirst, Meranto, Rosenthal, Wirt and Zeigler have sketched a picture of the general politics of education.

Hastily, much of this research suggests that publics are aroused only sporadically to act upon high conflict social issues when these impinge upon the schools. The usual pattern finds the ubiquitous school board or committee, the community's educational decision-making forum, isolated from its community. The board members have little knowledge of or concern for the wishes of a passive majority. These boards usually reflect the desires of either the community elite or the superintendent. Rarely are boards responsive to the general population of the community.[2]

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[1] Two excellent reviews of this literature are: Laurence Iannaccone and Peter J. Cistone, The Politics of Education. Eugene, Oregon: ERIC Clearinghouse on Educational Management, 1974 and Frederick M. Wirt, "Theory and Research Needs in the Study of American Educational Politics," Journal of Educational Administration, 8 (1970), pp. 53-87.

[2] See L. Harmon Zeigler, M. Kent Jennings with G. Wayne Peak, Governing American Schools: Political Interaction in Local School Districts. North Scituate, Massachusetts: Duxbury Press, 1974, for an extended examination of the premise.

Episodic outbursts of political activity upset this idyllic scene. These outbursts are triggered either by major demographic shifts or by the introduction of high conflict social issues, such as busing, into the life of the community. Demographic shifts usually result in incumbent electoral defeats, the emergence of a new majority on the school board and the unceremonious departure of the superintendent.[3] Social issues, on the other hand, prompt intense political activity, almost always conducted by hastily created ad hoc organizations. There is great pressure by these ad hoc groups for an immediate decision because the general public awareness of school issues is low, the costs of organizing protest high and of sustaining protest even higher. While most frequently the board moves to a decision independent of the superintendent's judgment, outcome results are not clearcut. It is neither clear what the patterns of results of such outbursts are nor if there are consistent winners -- protesters, moderates, parents, teachers or students.[4]

The last few years have witnessed the increasing rapidity and growing intensity of these outbursts. What was once rare and episodic is now common and routinized. Schools seem surrounded by differing groups demanding differing things, but agreeing schools are failures.

The current brouhaha makes evident that we can elucidate what we do not want our schools to do or to produce. Most of our educational goals are stated in such a way that we can never measure our progress toward them. Green has pointed out that:

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[3] Laurence Iannaccone and Frank W. Lutz, Politics, Power and Policy. Columbus, Ohio: Charles E. Merrill Press, 1970.

[4] Robert L. Crain, The Politics of School Desegregation. Chicago: Aldine Publishing Co., 1968 and Joel D. Aberbach and Jack L. Walker, "Citizen Desires, Policy Outcomes, and Community Control," Urban Affairs Quarterly, 8 (1972), pp. 55-75.

> general educational goals--as opposed to specific targets--are never formulated so that it is possible to tell when the goal has been attained or how far short we are of attainment. For example, one thing that virtually all educational systems must accomplish is the production of good citizens. But we cannot, in principle, ever know, at least in any short-run period, whether that goal has been achieved.[5]

Educational goals appear as generalized constraints with unclear boundaries.

The inability to specify absolute outcomes does not hinder intermediate judgments. But we do not specify educational goals the same way we do those of a profit-making firm. For a firm,

> the declension for the word "goal" would be "good," "better," and "best;" but in education it might well be "not good," "worse," and "absolutely intolerable."[6]

The lack of clarity and precision of our final, long-range goals makes them serve only as generalized guides. They do not provide precise reckoning points for judgment, but do give us general directions.[7] We are operating with only the four points on the compass and with no precise gradations among them.

The lack of specificity of educational goals, or more positively their general nature, has pronounced effects on the politics surrounding educational activities. First, precise linkages between means and ends are always debatable. Specific educational activities, from a single poem to an anthology of short stories to an entire library, may be suspect.

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[5] Thomas F. Green, "Introduction," in Miriam Clasby, Maureen Webster, Naomi White, Laws, Tests and Schooling: Changing Contexts for Educational Decision-Making. EPRC Research Report RR-11. Syracuse, New York: Educational Policy Research Center, Syracuse University Research Corporation, October, 1973, 8.

[6] Ibid., p. 11.

[7] See W. Keith Warner and A. Eugene Havens, "Goal Displacement and the Intangibility of Organizational Goals," Administrative Science Quarterly, 12 (1968), pp. 539-555, for an extended and insightful discussion of intangible goals.

While debates over phonics versus word recognition may generate some heat, debates over the content of books to which these techniques are applied cause much more trauma.

Perhaps more importantly, the second consequence of this lack of specificity is the ability to conceive of educational goals in political terms. Good citizenship not only includes educational activities but a normative assessment. The products of an educational activity may be viewed from significantly different perspectives and a singular piece of their behavior may be differentially assayed. For example, if one teaches U.S. History to eleventh graders, traditionally a unit on the Constitution is presented. For political conservatives, this unit is usually "not good" because it does not maintain the absolute authority of the Constitution in certain areas. For the reformers it is "worse" because it overstresses the authority of the Constitution and denigrates efforts to amend it. For radicals the unit may be "intolerable" because the Constitution may be seen as a barrier to the reconstruction of society on new principles.

To return to our central point, it seems easier to ascertain what it is that our schools should not do than what they ought to do. We have wanted the schools to help solve problems surrounding race or urban life or poverty. Schools have done some things to assist in overcoming these societal problems. What we fail to notice is that the ambiguity of educational goals seems to foster rapid inflation of our expectations for what schools can accomplish. Schools too often seem to be universal therapists attempting to resolve the problems of our society. Our unbridled faith in education as a panacea has hoodwinked us into believing education is a process of continuing growth. All too often we have turned over to professional educators the problem of implementing our societal dreams.

The last decades have witnessed the erosion of the myth of the all-saving school. The slippage between means and ends and the various interpretations of educational success have washed away much of our confidence. Instead of finding schools to be places where competent professionals resolved social problems, we have found both adding to societal ills. And, as governments have sought to make schools accountable, to make them responsive civic agencies, schools have seemed to become recalcitrant bureaucracies.

Much of the political struggle engulfing the schools is a working out of these issues. Schools as organizations appear to have ambiguous goals, unclear technology and variable participants.[8] How do we fine tune such organizations to achieve goals?

As a society we seem able to delineate and attack problems of gross social inequities. We can identify and assault overt discriminations, be they sexual, racial, ethnic or class. We seem able to apply our governmental sanctions to the intolerable. Yet, we have few tools as a society for adjudicating subtle inequities. The struggle over issues such as quota systems highlights this quandary. We know it is patently wrong to discriminate against color or sex but it is not obvious what constitutes a just solution. The subtle fine tuning necessary to resolve these problems requires analytic tools which our society seems slow in developing or, if available, in using.

In education, this subtle fine tuning is exacerbated by the nature of our goals. Since we lack clear-cut conceptions of these desired states and of the activities which would constitute their achievements, educational institutions are subject to both goal diversion and goal displacement.[9] In goal diversion, original objectives are supplanted by alternatives while in goal displacement means become ends. The results of these two processes are wide arrays of educational confusion.

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[8] M. D. Cohen and J. G. March, Leadership and Ambiguity: The American College President. New York: McGraw-Hill, 1973.

One way to attack this confusion, to seek to fine tune the specific targets of education, is to inspect functions which schooling performs. Spady[10] has discussed five functions. These are: 1) instruction or the nature of the formal learning experiences of the school; 2) socialization or the inculcation of appropriate behaviors in that society; 3) custody-control or the retention of selected populations; 4) evaluation-certification or the grading of population members; and, 5) selection or internal organizational assignments with external implications.

In this schema, schools fulfill these functions in varying degrees. This five function model allows one to inspect the relation between instruction and selection, for example, ascertain the impact of custody-control on socialization, or empirically verify the impact of these functions. Equally, the functions become foci for discussions of what ought to be done in schools. Some have made much of the schools undue emphasis upon custody-control. Spady's typology permits analysis of preferences for certain functions and of normative mixes which we might see in schools. Whereas Spady's work may or may not provide the most fruitful schema for discussion, some framework to abet these discussions is needed.

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[9] Warner and Havens, op. cit., p. 541.

[10] See W. G. Spady, "The Authority System of the School and Student Unrest: A Theoretical Exploration" in C. Wayne Gordon, (ed.) Uses of the Sociology of Education. The Seventy-third Yearbook of the National Society for the Study of Education. Part II. Chicago: The Society, 1974, pp. 36-77 and "Mastery Learning: Its Sociological Implications" in J. H. Block, (ed.) Society, Schools and Mastery Learning. New York: Holt, Rinehart and Winston, 1974, pp. 91-116, for elaboration of these functions and interesting applications of these functions to educational issues.

A significant portion of the discourse about schools involves discussions of how schools are financed by society and of public delineation of the adequacy of the schools. Involved intimately in these deliberations is the issue of the relationship between research and policy. The next section assesses briefly the state of thought about educational finance. Following that is a brief analysis of issues in educational adequacy. The final section deals with issues of policy and research and suggests some difficulties between these regions.

Educational Finance

We have come to expect too many answers from thinking about educational finance in the last few years. The initial revolution in educational finance, which tried to link the allocation of funds to an investment strategy, has floundered on the issue of a production function for education. Economists seem unable to trace input resources through the schooling process to society's educational investments. Somewhere along the way things just do not add or subtract appropriately.

What is amazing is our willingness to expect that economists would be able to puzzle out a production function which related clearly to targets or to schools objectives. While they have been immensely helpful in finding input inequalities, the question of resource mix is confounded by issues of teacher cost and quality. We have little in the way of understanding teacher behaviors which fits with the assumptions of most economic models.[11] For instance, our knowledge about teaching techniques is low in density and generally imprecise, with little interconnectedness. We have few per unit costs parameters other than teacher salary.

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[11] The assumptions of economic models and modelling often receive scrutiny. My point is that teacher behaviors may have little or no relationship to rational economic model assumptions about marketplace behaviors.

Too often, multiple regression analysis seems to replace thoughtful analysis. Not enough work has been done on allocation of teacher or counselor time on future plans of students or upon allocation of teacher time to specific instructional activities. The existing literature which explores some of these topics has yet to be digested. On the other hand, the moment seems to be captured by computer labelled variables ingesting available data. If printout is to be the hallmark of educational finance, then it deserves to be ignored. But if the basic models are utilitarian, and if some research done by other disciplines could be translated into economic models, the explications of how scarce resources can achieve certain targets or school functions may be of great value. We have simply expected too much too soon from far too little basic work.

Educational Adequacy[12]

In the financing of education, we are clear in wanting neither gross inefficiencies nor gross inequities. But exactly what constitutes a small inefficiency or an acceptable area of inequity is an unresolved question. It is at least partially unresolved because we have drawn no legal baseline concerning the disbursement of educational services. Such a baseline would help define what is meant by educational adequacy.

Most state constitutions provide for state responsibility and support of education. The general argument for the analysis of educational adequacy starts with this constitutional mandate. The argument then asks about the relationships of (1) educational services dispensed and (2) the amount of constitutionally required education necessary for effective citizenship. For example, the impact of illiteracy on civic activities would help clarify and elaborate educational services needed to achieve literacy. The argument, however, starts with a clarification of the rights of a citizen and then proceeds to the distribution of services necessary to attain these rights. One of the rights guaranteed to state citizens may be an education adequate for the demands of the state and its citizens.

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[12] For related discussion, note articles by Kern Alexander and Ernest Singletary.

The issues of adequacy accentuate the shortcomings of educational research, the need for wise funding programs, and for continual debate over the nature of constitutional rights and responsibilities. In some sense, we have returned to our starting point. We have an established educational research community, established funding programs, declining civic apathy concerning the schools and a routinized struggle over the responsibilities of education. Ought we be dismayed by this meandering journey? I think not. Maybe research can save us and lead to wise policy.

Educational Policy and Research

One need not apologize because education policy is not neat and tidy. All social policy is characterized by its messiness.[13] More concretely the authors of Title I of ESEA sought multiple objectives--they sought to improve traditional cognitive capacities in traditional schools; they hoped to enhance self concept through ethnic identity; they intended to improve educator competencies for dealing with disadvantaged youth; they wished paraprofessionals to translate teacher expectations into ghetto idioms. Often in practice these multiple objectives clashed, yet they were all serviced under a single legislative title.

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[13] A. O. Hirschman and C. E. Lindblom, "Economic Development, Research and Development, Policy Making: Some Converging Views," Behavioral Science, 7, 1962 , pp. 211-222.

There are several reasons for this messiness of policy. They include multiple demands which seem similar but incorporate diverse definitions of need and satisfaction, legislative compromise hinged upon deliberately vague statutory language, and the multi-faceted needs and requirements of administrative agencies. These tend to be process-type variables. They depict the procedural politics which start with problem definition and continue through administrative evaluation of on-going social action programs.[14]

A second major reason deals with the structuring of different policy questions. The issue of structure raises questions about the ways that values, attitudes, norms and beliefs shape how questions are asked. These structural variables deal with problems of the combination of internal and external information utilized in the question development process.[15] For example, there are great and significant differences between the following questions:

1) In what ways can we adapt children to fit the needs of existing schools? and,

2) In what ways can we adapt schools to fit the needs of modern children?

If the question truly does determine the answer, the way we formulate questions is of great import.

Finally, it seems to me that social policy questions are imperfect creations of our mythical conception of the good American life.[16] We carry around in our collective head images of what we desire our nation to be. These images frequently, if not always, are discordant collections. They reflect various images of our past--an agrarian, isolated and provincial nation or an urban, international and cosmopolitan nation--and dreams for our future. These grand visions not only intrude upon but also probably shape what we think and desire from social policy. The diversity and contrariness of our individual images are masked in common and overriding images, e.g., the flag or equal educational opportunity. Nonetheless, when we see the concrete process or product, our multiple viewpoints can lead to heated controversy.

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[14] Charles E. Lindblom, The Policy-Making Process. Englewood Cliffs, New Jersey: Prentice-Hall, 1968.

[15] This issue is explored in a very exciting way in Harold M. Schroder, Michael J. Driver, Siegfried Streufert, Human Information Processing. New York: Holt, Rinehart and Winston, 1967.

[16] David K. Cohen and Michael S. Garet, "Reforming Educational Policy With Applied Social Research," Harvard Educational Review, (in press, February, 1975).

Hence, efforts to legislate educational policy are generally successful to the extent they define that area we will no longer tolerate and generally unsuccessful to the extent they try to chart what it is we want done in education. Our great leaps forward are not successful manipulations of mutually agreed upon desirables but rather concensus on intolerables. When our images coalesce and when some groups are organized, we see the beginning of new social policies. These policies rarely if ever rest on the clear elucidation of new rights. Most frequently policies are formed to eradicate past inequities, but in their very enactment into law, compromise and consultation warp their goals. Such a bending from the straight and narrow is possible because we do not really know what we would like, but only what we cannot tolerate.

The relationship between these policies and research about education is fortuitous. The cumulative findings of research create general climates of opinion while specific social policy generates additional and new problems for researchers. The argument about climates of opinion is made cogently by Getzels when he ties both curricular and architectural themes to differing conceptions of learning. For example, in speaking of open classrooms he notes:

> If I now regard these arrangements with a vision of the learner as a stimulus-seeking organism, what did not look like a classroom looks very much like an appropriate place for children to learn, appropriate for permitting them to seek out the stimulation they need for thinking and learning. Now it is the more familiar traditional classroom of sterile spaces and bare walls, straight rows and rigid chairs, that does not look like a classroom and seems an inappropriate place for learning.[17]

Other climates of opinion deserve such insightful analysis.

Social policy creates major problems for research communities. It challenges not only the worth of the community but also upsets many of the methodologies. Disenchantment with the inability of social research to solve social problems will always abound. Often the disciplines simply are not ready for the push and pull of social decision-making. More importantly, social policy problems challenge the research methodologies of the social sciences.[18]

One simple illustration of this point seems in order. The increased usage of multiple regression analysis has generated problems over the issue of which regression coefficient to use--regular or normalized. They present varying interpretations of the regression model. Simply, most economic studies of school effects use regular (unstandardized) coefficients to estimate increases in test score units which given increments of school resources would produce. Sociologists, on the other hand, have viewed school effects using normalized (standardized) coefficients because they permit comparison of the relative importance of different variables to the same criterion all at the same time. A policy maker is faced with some powerful dilemmas if he asks which is the best coefficient--the economists' regular or the sociologists' normalized. And, for any of you who have followed the debate over the Coleman report, this issue has been a persistent thorn. Using the same listing of variables, the selection of one type of coefficient leads to one set of scientific and policy results and the selection of the other coefficient leads to an entirely different set of conclusions.[19]

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[17] J. W. Getzels, "Images of the Classroom and Visions of the Learner," School Review, 82 (1974), p. 534.

[18] Cohen and Garet, op. cit.

Summary

I have had the good fortune for the last few years of thinking about educational politics. My last year and one-half in Washington, D.C., have been a rare and revealing experience. Not only have I witnessed events which are now, and later will be even more, deeply etched in our history but also I have had the opportunity to think about, observe and participate in the process of federal policy making. Close at hand I have seen the awesome grandeur and the disgusting vulgarity of power. I have spent some days in creative enthusiasms and others in fits of bureaucratic pettiness. I have seen the purity of creative thought and the impurity of bureaucratic aggrandizement. Government work, then, is like most human activity--a mixture of the good and the bad.

I also find myself more of a theoretician than I have ever been. I believe fervently in the power of abstracted models, in underlying patterns and in self-imposed rationales. Much of the work of Simon with his emphasis on bounded rationality, of March on organized anarchies and of Lindblom on "muddling through" seems valuable for making sense of this world. Allison's analysis of the Cuban missile crisis surfaces continuously in the struggles between rational actors, bureaucrats and political operators.[20]

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[19] James S. Coleman, "Integration of Sociology and the Other Social Sciences Through Policy Analysis," in James C. Charlesworth, (ed.) Integration of the Social Sciences through Policy Analysis. Monograph 14. Philadelphia: American Academy of Political and Social Sciences, 1972, pp. 162-174. This entire volume deserves close attention.

The world of educational policy is ragged. It moves in starts and spurts, slides and leaps ahead. It is frequently confused over means or ends, tactics or strategies. This world confuses ultimate principles with practical politics. Budgets are often seen as instruments of power rather than as tools for priority setting. The criteria of effectiveness change daily yet the question of effect persists. It is a world of astonishing complexity. We seem unable to comprehend past and present. It is a world whose future is almost totally uncertain. We seem so nearsighted, so unable to comprehend what change means. We seem to want to avoid decisions. The world slides when we could halt it.[21]

Yet, the critical needs of the next decade are to grapple with complexity, to impact the future and to want to decide. In education in the next few years we will be asked to do these very things. We must understand what values we can and do instill in children in schools, how these may shape our future and when we must decide those that will be taught. We must link financing to our notions of educational adequacy. These things will not be done smoothly nor all at once. We will "muddle through"--winning some and losing some. We are not asked for a perfect record, only for a winning season.

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[20] Graham T. Allison, "Conceptual Models and the Cuban Missile Crisis," American Political Science Review, 63 (1969), pp. 689-718.

[21] Hirschman and Lindblom, op. cit.

Chapter 2

JUDICIAL STANDARD OF EQUALITY: A DEFINITIONAL PROBLEM

Kern Alexander*

The great passion of modernity is equality. The quest to obtain this ideal dominates most of our discussions of school finance. While equality is on its face desirable, the interpretation of its exact meaning can create much difference of opinion. Equality is a constantly evolving standard which presents new concepts and challenges almost daily. Equality of the races has been in a rapid state of reinterpretation and definition during the past twenty years moving from separate-but-equal, to desegregation, to the affirmative duty to integrate standard. Equality of sexes has advanced from woman suffrage of about two generations ago, to the present where statutory preference of male over female of any nature is steadily being declared unconstitutional.

Such progress toward equality is certainly desirable, but to obtain it requires a perplexing reevaluation of current practices and traditions which always implicitly assume certain elements of inequality. For example, most of us have always assumed that girls were supposed to be cheerleaders rather than participants, probably a centuries old legacy of the age of chivalry. Accepted norms laden with inequality seldom expose new standards of equality. Sir Thomas Moore in his Utopia attacked many of the inequalities of that day and advanced social and economic ideals of equality far in advance of his time, but even he, a product of his culture, could not project a society without bondsmen. A few years ago it was difficult to view society without separate-but-equal public facilities. Today, for some, it may be difficult to grasp the full impact of equality of the sexes. Particularly since the definition of equality may continue to advance presenting constantly changing targets.

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Financing public education is not different; in 1906 Ellwood P. Cubberley advanced the idea of a minimum financial level for the education of all children in a state. His conception of the extent of equality was restricted to bare necessities. Through the years Strayer, Mort, Johns, Morphet, and others further advanced the concept of equalization and influenced legislators to greatly increase the equality of financing throughout the nation. In retrospect if one views the progress made toward providing equal school revenues for all children between 1920 and 1960, the period may be viewed as a monument to progress toward educational equality.

With the rapid evolution of the concept of equality in the Post-Brown years, though, the level of equality found in most systems of state school finance suddenly fell far short of a new generic goal of equality demanded by intellectuals, most courts, and a large segment of society.

Beginning in 1968, a fervent drive for reform of school financing resulted in an almost frenzied assault on state school finance plans. Attorneys, sensing a constitutional kill, suddenly sought involvement in educational finance matters, and in practically all states, court action was taken to advance concepts of equality of education which may or may not have been educationally sound or contemplated by law.

Equality is Local Tax Leeway

Illustrative of the lack of consensus as to what constituted equality in the area of school finance was Hargrave v. Kirk,[1] a Florida case which if it had succeeded would have deterred equalization rather than increasing it. The Florida legislature had placed statutory limitations on local property tax rates, as part of a plan to equalize among school districts by limiting local unequalized dollars and substituting state equalized funds. Plaintiffs sought to disturb the plan by having the courts remove the local millage cap, thus allowing rich and poor alike to levy whatever tax rate they desired. Plaintiffs, although coming from a wealthy school district, claimed to be concerned that the property poor school districts could not levy whatever rates were necessary to raise sufficient local revenues to overcome the wealth differential between themselves and the rich. In other words, plaintiffs sought to give the poor district, with one-tenth the wealth of the richest, the power to levy a rate ten times that of the richest district to raise equal local revenues. Of course, the rich district could also levy more, thereby, presenting the poor district with the impossible task of always taxing its citizens tenfold that of the richest in order to have the same revenues. Interestingly, a federal district court filed in favor of plaintiffs, but fortunately the decision was vacated by the U. S. Supreme Court. Had plaintiffs ultimately prevailed, the school districts in Florida would probably have been thrown back to a more primitive and disequalized system of financing. The concept of equality propounded here, to allow complete local determination of fiscal resources, was effectively disequalizing.

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[1] *313 F. Supp. 944 (M.D. Fla. 1970); vacated, 401 U.S. 479 (1971).*

Equality as Determined by Educational Needs

The relief sought in McInnis v. Shapiro,[2] a 1968 Illinois case, was altogether different from that of Hargrave. Plaintiffs were seeking a reduction in expenditure variations among school districts in Illinois and maintained that only a system of financing which allocated funds on a basis of educational needs could meet the requirements of the Fourteenth Amendment. Plaintiffs further claimed that wide variations in actual expenditures as a result of differences in assessed valuation of property violated the due process clause of the Fourteenth Amendment. Plaintiffs also tried to invoke substantive due process to prevent the state from using arbitrary factors such as assessed valuation to determine the amount of public funds devoted to a child's education.

Even though the plaintiffs maintained that funds should be allocated on an educational need basis, they nevertheless, offered two alternatives to the Illinois system, neither of which redressed the educational need dilemma. In the first, they suggested that all students might receive the same dollar appropriations, and in the second, they maintained that the state could siphon off all money in excess of $X per pupil which was produced by a locally determined tax rate. Neither alternative necessarily provided for differing educational needs of children. The vagueness of the plaintiffs position is illustrated by their quest for equal expenditures on one hand, and on the other an allocation of funds to be made on a basis of educational needs. The two standards are mutually irreconcilable since educational needs may demand a much higher expenditure for certain children than for others.

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[2] 293 F. Supp. 327 (1968).

Apparently, the essence of their overall argument was that funds should be allocated on a basis of educational needs, that neither property values nor tax rates were legitimate determinants of educational expenditures, and that allocations of funds using the traditional minimum foundation program approach violated equal protection. The court pointed out that the equality, or lack of it, which emanates from efficiencies of size of school district, effective and efficient administration, and better teaching methods were all factors which could not be equalized by the courts. With such a vague statement of complaint and an even less firm suggestion for judicial resolution, it is little wonder that the court held that there was a lack of "judicially manageable" standards. The court quite accurately reasoned that "the courts simply cannot provide the empirical research and consultation necessary for intelligent educational planning." As Justice Holmes explained, "The Fourteenth Amendment is not a pedagogical requirement of the impractical."[3]

Equality is Educational Need Coupled With an Alternative Measure of Wealth

In a case which was decided subsequent to McInnis but apparently filed prior to it, a federal district court in Virginia held in Burruss v. Wilkerson[4] that the system of financing schools in Virginia was not unconstitutional. Plaintiffs had maintained that the Virginia foundation program violated the equal protection clause because it did not allocate funds on a basis of educational need nor did the present system accurately measure local school district wealth. They said that a school district with a high percentage of low income children should receive more funds than a district of similar conditions which had few such children. It was further asserted that property values overstated the wealth of some school districts and understated the wealth of others. The court was unwilling to enter the "thicket" of alternative measures of school district wealth and was equally as reluctant to attempt to suggest the additional funding necessary to meet the educational needs of low income children.

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[3] Dominion Hotel v. Arizona, 249 U.S. 265, 268, 39 S. Ct., 273, 274 (1919).

[4] 310, Supp. 572 (W.D. Va. 1969), affd. mem. (1970), 397 U.S. 44, 90 S. Ct. 812.

Of course, technically, the courts in McInnis and Burruss did not have to provide remedies, but merely to identify discrimination if it existed and to eradicate it. But the courts will, with a certain amount of wisdom, in most circumstances, attempt to understand an issue before they declare it unconstitutional. Constitutionally acceptable alternatives must be recognizable and available before a court will bound carelessly into the unknown. In neither case, McInnis nor Burruss, was the court clearly apprised of the constitutional alternatives which would meet some hypothetical constitutional standard.

Equality is Fiscal Neutrality

Subsequent, to these cases, the California Supreme Court held the California system of state school finance unconstitutional, as violative of both the equal protection clause and the California Constitution.[5] Here equality was delineated in a different context than that advanced in Hargrave, McInnis, or Burruss. Plaintiffs, did not advance the notion that greater educational needs created higher costs, they assumed that the cost of delivering education was uniform throughout the state, they accepted property valuation as a proper and acceptable measure of local school district wealth, and they were not concerned that the higher aspiration levels of voters in some school districts would create great revenue differentials. They further made it clear that they did not seek to equalize expenditures; for all they cared expenditures in some school districts could triple that in others so long as the difference did not emanate from wealth disparity. Wealth was, according to plaintiffs, a suspect classification, and a child's education could not be contingent thereon. In a resounding decision the California Supreme Court held that state's finance program was violative of the Equal Protection Clause and the California Constitution. To this court equality clearly meant the neutralization of the effects of property wealth among districts.

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[5] Serrano v. Priest, 96 Cal. Rptr. 601, 487 P. 2d. 1241 (1971).

In Minnesota, a federal district court followed Serrano very closely expounding the same standard of fiscal neutrality.[6] However, it is interesting to note that the standard of equality propounded by appellants included both equalization based educational needs and fiscal equalization. The court, however, maintained that the educational need had been foreclosed by McInnis and Burruss.[7]

The legal soundness of the arguments advanced in Serrano and Van Dusartz went almost unchallenged until San Antonio v. Rodriguez[8] reached the Supreme Court of the United States. This case, which was filed in the Federal District Court for the Western District of Texas, advanced the concept of fiscal neutrality as did Serrano. Where wealth variations created a difference in revenues per child the court was to strictly scrutinize the situation and place the burden on the state to show a compelling interest justifying the disparity.

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[6] Van Dusartz v. Hatfield, 334, F. Supp. 870 (Minn. 1971).

[7] Ibid., p. 877.

[8] San Antonio v. Rodriguez, 36 L. Ed. 2d.

Unfortunately for the appellees, the Supreme Court began asking rather pointed questions regarding the alleged discrimination. The Court first asked the legally obvious question, What class is being discriminated against? The simplistic presumption of equality, that all children in poor school districts were discriminated against, was immediately challenged. Only poor children and not poor school districts could be discriminated against. Does a constitutional issue arise, the Court asked, if a poor school district has only students from middle income or rich families?[9] The court found that appellees were rather indefinite as to the exact nature of the alleged discrimination. Accordingly the Texas system could be interpreted as discrimination (1) against "poor" persons whose incomes fall below some identifiable level or poverty or who might be classified as functionally "indigent," or (2) against those who are relatively poorer than others, or (3) against all those who, irrespective of their personal incomes happen to reside in relatively poorer school districts.

Appellees were unable to show, to the Court's satisfaction, that the lack of school revenues in low wealth school districts had a discriminatory connection with any of these definitions of the poor. With no discreet class against whom discrimination was directed, to show unconstitutionality was exceedingly difficult or impossible.

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[9] See: Serrano v. Priest, 487 P. 2d. 1251, 1252, 1253.

Challenging further the appellees definition of equality, the Court maintained that the "equality" standard under the Fourteenth Amendment requires an absolute deprivation of the desired benefit. The Court denied appellees argument that revenue disparities created by property wealth differentials justified a finding of discrimination. Appellees could not support their implicit conclusion that lower wealth of the school district resulted in poorer quality of education. The Court said:

> . . . The Equal Protection Clause does not require absolute equality or precisely equal advantages. Nor, indeed, in view of the infinite variables affecting the educational process, can any system assure equal quality of education except in the most relative sense. [10]

Assuming that the Supreme Court could have disposed of the aforesaid issues in favor of appellees, and could have settled on a definition of inequality characterized by district wealth, and could have found that discrimination existed without regard for individual income characteristics and could have found that discrimination was measurable by correlating property wealth with expenditures, then another problem is confronted. At what point does the discrimination begin? Does it include all those school districts below the wealthiest one in the state, all those below the seventy-fifth percentile or all those below the average district wealth? The nature of the discrimination changes with the values of the commentator. Justice Marshall in his dissenting opinion suggested that the standard of equality could be more restrictively defined to include children in districts with assessable property which falls below the "statewide average, or median, or below some other artificially defined level."

Without being able to relate poor children to poor school districts, to show an absolute deprivation, or to show the wealth and revenue level at which discrimination came about, the appellees were unable to present an effective and workable definition of constitutionally protected equality. No judicially acceptable standard of equality was to be found to satisfy the Supreme Court.

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[10] San Antonio v. Rodriguez, op. cit.

Various Standards of Equality

A standard of constitutional equality presumes a corollary condition of invidious discrimination to which some class of persons are subjected. Greater equality has been largely unobtainable primarily for lack of legal definition. Of the various standards implied above by the courts, several come to the forefront. First: equality can be obtained by allowing local school districts the authority to tax themselves at sufficiently high levels to overcome wealth differences with other school districts. Second: equality can be attained by allocating resources on the basis of educational need. Third: equality may be accomplished by giving each student the same amount of money, one dollar - one scholar. Fourth: the state could allow unlimited local taxation but revenues earned in excess of a certain amount per pupil would be captured by the state. Fifth: equality requires that the state measure local school district wealth more accurately than by property valuations, possibly a combination of personal income and property. Sixth: equality requires full fiscal equalization. Fiscal neutrality means equalization up to the wealthiest school district in the state, to a certain percentile, to the average, median or whatever. Seventh: equality assumes that poor children in poor school districts are discriminated against, that poor children in all school districts are discriminated against, that all children regardless of wealth residing in school districts which fall below some predetermined wealth standard are discriminated against.

The legal precedents based on the federal constitution present a multiple-choice of equality standards. Each of these standards represents a question as yet unresolved by the courts. There is little reason to believe that one or more than one of these definitions of equality will be adopted by the federal courts as a standard on which states can rely in designing new school finance programs. A general judicial recognition of educational finance as a myriad of intractable economic, social, and even philosophical problems is bound to continue to exist.[11] Even though the above standards may never be adopted by the Supreme Court as constitutional educational finance standards, each may, nevertheless, be of acute importance for solving particular educational finance problems in various states. "The very complexity of the problems of financing and managing a statewide public school system suggest that 'there will be more than one constitutionally permissable method of solving them'."[12]

Seeking State Constitutional Standards

Without a workable standard of equality at the federal level, litigants challenging state school finance programs have been forced to turn to state constitutional provisions to redress their grievances. Although each state constitution provides for public education, the form may vary considerably. Various constitutions require that the legislature establish a uniform, efficient, thorough, or merely a system of public schools. In some cases the state constitution may easily be construed as requiring equality, in others the wording may show little relationship to any concept of equality. What these provisions mean in the legal context may, in the future, have substantial impact on school finance. Presently, court decisions leave much to be desired in establishing judicially manageable finance standards.

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[11] San Antonio v. Rodriguez, op. cit., p. 48.

[12] Ibid.

The Vagueness of Thorough and Efficient

In the opinion of the Supreme Court of New Jersey, the words, "thorough and efficient" included in that state's constitution require equal educational opportunity.[13] As to what "equal educational opportunity" means the Court was less sure. The Court proceeded through a lengthy opinion disposing of constitutional issues which could place equality requirements on the school finance system, the most notable of which was the state "equal protection" provision. Although the Court admitted that a state constitution's equal protections provision may be more expansive than the same provisions under the federal constitution, it nevertheless refused to apply equal protection in holding the New Jersey finance system unconstitutional. An overriding hesitancy brought on by San Antonio v. Rodriguez seemed to deter the court in pursuit of equal protection and in holding more directly that education is constitutionally "fundamental." The New Jersey Court instead chose to rely on the state constitutional standard of "thorough and efficient," a provision clearly directly related to education.

Other than maintaining that "thorough and efficient" required equal educational opportunity, the court gave very little guidance as to the plan which the state must adopt to meet the constitutional standard. The court observed that a constitutional system did not require that all funds come from the state, nor that local school districts should not have the option of levying a rate above the minimum foundation program, the standard as far as the court was concerned was that the "end product" meet constitutional commands. What those commands are, however, is unclear.

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[13] Robinson v. Cahill, 62 N.J. 473, 303 A 2.d. 273, 294 (1973).

The equal educational opportunity implicit in "thorough and efficient" was broadly defined in this manner:

> The Constitution's guarantee must be understood to embrace that educational opportunity which is needed in the contemporary setting to equip a child for his role as a citizen and as a competition in the labor market.

Precisely what this means for school finance is difficult to determine. To the court the major offense by the state was apparently one of omission. "Indeed the state has never spelled out the content of educational opportunity the Constitution requires." This conclusion was apparently drawn on the strength of a few characteristics of the New Jersey state finance program, although this is not made entirely clear. First, the court seemed to be particularly disturbed that the state constitution constituted only twenty-eight percent of current operating expenses for public schools. Secondly, the court pointedly observed that the $400.00 minimum foundation program level was too low and grossly outdated. Thirdly, the court implies that a system of cost weightings was a questionable method for accomodating the equalization mandate, and fourth, criteria for classification of operating districts from basic to comprehensive had not been established. As to what levels of funding are necessary or to what educational need or school district descriptors are mandated the court gives no guidance. The issue is apparently not one of simply increasing state funding because the court noted that full funding of the so-called 1970 Act, raising the states share from twenty-eight to forty percent, would still not render the statute constitutional.

Judicial flexibility is at its best where the court concludes that "the state must define in some discernible way the educational obligation and compel the local school districts to raise the money necessary to provide that opportunity."[14] To the court's credit it does positively maintain that it is the states responsibility to declare what the local responsibility is and compensate if the local district fails to accomplish its assigned responsibility.

All of this, however, does not get to the technical issue of precisely why the present system is unconstitutional and what constitutional measures are required to replace it. The court apparently concludes that the present level of state funding is too low, but it does not prescribe a level or even broad guidelines. Much care is taken to dissuade those who might believe that the court is advocating full state funding, but it does not foreclose the possibility if the legislature so chooses. Local districts are not denied the opportunity to levy a local rate beyond the constitutionally mandated level "provided that such authorization does not become a device for diluting the state's mandated responsibility." Seemingly, therefore, the court is not requiring full fiscal equalization or fiscal neutrality. Even though the court critizes the pupil weighting and cost system of the New Jersey law, it, nevertheless, implores that its comments not be interpreted to mean that "the state may not recognize differences in area costs, or a need for additional dollar input to equip classes of disadvantaged children for the educational opportunity."

Legislative responses to Robinson must, of course, attempt to define "thorough and efficient" in the absence of judicial standards. Sometimes the most effective legislative response to judicial vagueness is legislative vagueness. This appears to be the ploy taken by the New Jersey legislature. Should Senate Bill No. 1295 of the New Jersey legislature become law, thorough and efficient would be defined as:

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[14] Ibid., p. 297.

> . . . to provide all children in New Jersey, regardless of socio-economic status or geographic location, the educational opportunity which will prepare them to function politically, economically, and socially in a democratic society to the extent of their individual talents and abilities.

Although laudatory, as a philosophic goal of public schools, this statement adds little to the vague judicial requirement of equal educational opportunity. Even the more specific goals enunciated by the Bill are sufficiently misty to give little direction to an equalizing standard. These are exemplified as follows: to establish educational goals at both the state and local levels, encouragement of public involvement, sufficient instruction to assure the attainment of reasonable levels of proficiency in basic communications and computational skills, reasonable breadth of program offerings to develop individual talents and abilities, adequate programs and supportive services for the educationally disadvantaged, adequate equipment and facilities, sufficient qualified teaching personnel, efficient administration, and sound evaluation. Each local board and the state board is charged with the development of goals, objectives and standards within this framework. Lastly, a needs assessment once every five years is mandated.

No one can argue with the desirability of having each and every one of the elements which are proposed, however, the Bill as well as the court decision add little to the quest for a workable definition of equality, equal educational opportunity, or even "thorough and efficient." At this point to attach financial interpretation to these concepts is impossible without more specific judicial or legislative specificity.

General and Uniform

The constitutional provision requiring the legislature to establish a "general and uniform" public school system has of late come under the judicial scrutiny of the Supreme Court of Arizona.[15] This case reversed a lower court decision which held the state system of financing in Arizona unconstitutional. The court, even though holding that education is fundamental in Arizona, nevertheless, found that the present method of financing violated neither the "equal protection" nor "general and uniform" provisions of that state's constitution. Unfortunately for the plaintiffs, this court did not extend the meaning of "general and uniform" to include fiscal equality and included educational equality only to the extent of a minimum school year, establishment of certain courses, textbooks, and qualified teaching personnel. This court followed Rodriguez in maintaining that there was no loss of a constitutional right so long as there was no absolute denial. The case provides little assistance in a quest for a legal definition of equality in the educational setting. To this court equal opportunity undoubtedly means only sufficient state involvement to provide the rudiments of a system of general, free public education. Concepts of equalizing educational needs and fiscal neutrality are obviously far from this court's consideration.

Equal Protection of State Constitution

The Michigan Supreme Court in a case which was later vacated held the system of financing school in Michigan violative of the equal protection clause of that state's constitution.[16] Plaintiffs in this case were solely

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[15] Shofstall v. Hollins, 110 Ariz. 88, 515 p.2d. 590 (1973).

[16] Milliken v. Green, 389 Mich. 1, 203 N.W. 2d. 457 (1972); vacated, 390 Mich. 389, 212 N.W. 2d. 711 (1973).

concerned with the fiscal inequality created by the variations in property wealth among school districts. The court in holding for plaintiffs admonished that the decision should not be misinterpreted to require "absolute equality in the distribution of state educational resources in all cases with no recognition of reasonable classifications." With this caveat, the court adds a nebulous element which makes constitutional alternatives difficult to conceive. Presumably the court may have been referring to variations in educational needs of children, a point which was neither argued nor discussed in the case.

Adding uncertainty to an already equivocal issue, the Milliken decision was vacated a year later by the Michigan Supreme Court which had in the intervening time had a change in judges. In the new decision the court held that evidence did not show that children from low wealth districts were denied equal educational opportunity. Further, the court pointed out that fundamental disagreement existed over whether educational opportunity should be measured by input or output. Defendants argued that there was no significant relationship between output as measured by student achievement and taxable resources. On the other hand, plaintiffs sought to define educational opportunity in terms of dollar inputs. The court noting the complexity of this issue said:

> *Without disagreeing with either theory of defining educational opportunity - inputs or outputs - we cannot accept without criticism either of the further-narrowed definitions offered by the parties. The reduction of the sum total output to the accomplishment of the pupils on a few achievement tests would be grossly unjust to both the educators and the pupils, for education must extend far beyond the limits of verbal facility or mathematical proficiency. With respect to the input received by a school, the level of taxable resources within a district is only one of the myriad inputs into an educational system.*

The court did not foreclose the opportunity for another challenge on the issue, it did though observe that the alleged inequality had to be predicated on grounds more nearly related to education than taxable resources.

Equal protection under the state constitution was one basis on which the California Supreme Court decided for plaintiffs in Serrano. This was accomplished by interpreting the "privileges and immunities" provision of the California constitution[17] to provide equal protection. As to the meaning of equal protection itself, the court relied on its own interpretation of the meaning of the equal protection clause of the Fourteenth Amendment. Serrano did clearly correlate the quality of a child's education with funds available resulting from property valuation. Equality to this court, as mandated by equal protection, was measurable by equal access to funds although equal school spending was clearly not a requirement. Presumably the court was willing to allow the quality of a child's education to be dependent on local politics, ignorance, economic circumstances of families, and social conditions, but not assessed valuation of property. Equal protection in Serrano clearly meant that a child's education could not be dependent on wealth of the school district, but as was observed in Rodriguez the precise effects associated with its implementation was not resolved.

More recently a lower court[18] in Connecticut has held that the system of school finance in Connecticut is violative of that state's "equal protection clause."[19] The court in so holding applied an interesting twist by claiming to follow the precedent of Rodriguez, but reaching an opposite result. Rodriguez's definition of equal protection was accepted, but the court departed on the issue of "fundamentality" of education. In holding that education was "fundamental" in Connecticut, the court justified invocation of the test of strict judicial scrutiny. Once this standard was applied the state was incapable of showing a compelling interest in the lack of fiscal equality among school districts.

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[17] West's Ann. Const. Art. 1, §, 11, 21.

[18] Horton v. Meskill, Superior Court, County of Hartford, Connecticut, December 26, 1974.

[19] Connecticut Constitution, Art. 1, § 20.

Interestingly, though, this court, in a very brief decision, did nothing to lend insight to the types of remedies which would be in conformity with the constitution. Apparently the only standard was that a high correlation between per pupil expenditures and property valuation is the earmark of an unconstitutional system and this they found in Connecticut. Ironically the court drew these data from the same Yale Journal article on which the U. S. Supreme Court relied to reach an opposite determination in Rodriguez.[20] This case is indicative of the judicial disagreement and confusion which exists in matters of equality and school finance.

Equal protection, though, is apparently a constitutional mechanism offering legal criteria for a better definition of equality or equal educational opportunity. Substantial vagueness exists, though, in the precise application. The Connecticut court observed that a school district with low assessed valuation per pupil may not be able to employ needed personnel or offer the necessary breadth of educational programs. Obliquely, it was also noted that poor school systems may not be able to cultivate "grantsmanship." While it is true that personnel are very important to the educational program as well as curriculum content, no guidance is provided by the court as to what level of equality is required, complete fiscal neutrality, a leveling up or a leveling down.

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[20] "A Statistical Analysis of the School Finance Decisions: On Winning Battles and Losing Wars," 81 Yale L.J. 1303.

Should the equalization be sufficient to merely reduce the correlation between wealth and expenditure per pupil? In ***Horton****, in attempting a partial definition, the court said educational inequality becomes an equal protection issue "to the extent that lack of local property tax money imposes some or all of these deficiencies (personnel, breadth of program, etc.) upon the pupils in one town to a substantially greater degree than upon the pupils in another town." In this the court relies upon inputs and services offered as the standard of equality, but nowhere does the court show educational program differences among rich and poor, apparently no evidence is needed to assume that fewer dollars buy fewer services. This precisely contradicts the U. S. Supreme Court in* ***Rodriguez****, the Supreme Court of Michigan in* ***Milliken****, and the Supreme Court of Arizona in* ***Hollins****. It is in essential agreement with the Supreme Court of California in* ***Serrano*** *and the Supreme Court of Minnesota in* ***Van Dusartz****. In none of these cases, however, on either side of the issue does the court ever attempt to provide criteria for revising state school finance formulas which will lead to equal educational opportunity.*

Groping for Guidelines

From the precedents just reviewed one may reasonably conclude that within "equal protection" there is an underlying requirement that educational opportunity should be equal. This may derive from equal protection itself or from a "privileges and immunities" clause of a state constitution. There is reason to believe that "thorough and efficient" requires some degree of equality. Other terminology such as "general and uniform" may or may not contain implied equality standards other than the mere establishment and maintenance of a system of public schools throughout a state. With each of these constitutional concepts a definition of equality is "nebulous" at best.

Fiscal Equalization

Even though state courts are more willing to sanctify education by pronouncing it constitutionally fundamental than is the U. S. Supreme Court, the major problem lies in defining fiscal equalization. At what level are dollars constitutionally equal? Does equality of dollars require full fiscal neutrality or simply a higher level minimum foundation program? Should educational services or inputs be exactly equal and how should they be measured, and should benefits be considered as the relevant criterion in measuring educational equality as the U. S. Supreme Court implied in Rodriguez and the Supreme Court of Michigan suggested in Milliken?

Educational equality conjures different expectations for different people depending largely on their own economic and social circumstance. Those in urban school districts see equality as providing greater resources to overcome problems associated with poverty and crowding, those living in rural areas may view equality as providing greater resources to overcome the effects of sparsity and remoteness on educational opportunity. Educators may view equality in one sense, while the lay taxpayer holds an entirely different notion. The problem of equality of dollars for public schools largely emanates from the use of property taxes. Within states, variations in property values between rich and poor school districts may create fiscal disparities as much as one thousand to one. Over the years, however, states, through types of state aid, have gradually reduced the disparity access to dollars to the point that a differential between a rich and poor school district expenditure per pupil which exceeds three to one is exceptional. Even with this diminished difference a great fiscal inequality still exists and is primarily attributable to differences in property values. Fiscal neutrality further raises the issue of whether the state should utilize income as a measure of wealth in conjunction with property values or some other measure entirely. To do so greatly changes the relative wealth patterns of school districts throughout a state. Opponents to the use of income as a measure of wealth maintain that since property taxes are the primary local source of revenue it alone should be the determinant of wealth. On the other hand, proponents maintain that property taxes are paid out of a person's income and that measures of ability to pay must take this into account. Further, evidence has been produced that shows that a majority of people in a property rich district may have incomes below the poverty line.

Equality of dollars while largely reliant on the wealth of the local school district, by whatever measure, is further contingent on the tax effort which the people in a local community are willing to put forth for education. In aspiring to "fiscal neutrality" a common mistake is to ignore effort or local aspiration level. It is possible, with only fiscal equality, to have wide variations in dollars per pupil due to effort disparities alone. While equalization may mean simply equalizing dollars according to property wealth, to others it may mean correcting wealth variations according to level of income and to others it may mean the inclusion of effort standardization. In any case the simple equalization of dollars does not address itself to the more evasive questions of equality of services or equality of benefits.

Equality of Services

Though, in the context of Rodriguez and Milliken the discussion of inputs is limited to dollars, equalization of dollars implicitly assumes an equalization of services. Unfortunately, the present level of educational information and statistics usually fail to be definitive as to the exact nature of educational needs or of the services available to solve those needs. And, except for certain broad curriculum requirements, most states resolve such determination to locate prerogatives. Until recently, whether a local school district offered services for the handicapped was a local option.[21] The right of a child to have these services in the public schools, though, is still largely contingent on availability of funds. Courts have mandated that services must be provided but courts cannot tax and make appropriations. In an effort to guarantee some level of equality for the handicapped the courts have moved forward rather dramatically in recent years. Particularly noteworthy is the U. S. Supreme Court decision in Lau v. Nichols[22] which held that the failure of the San Francisco school system to give bilingual instruction for non-English speaking Chinese children violated the Civil Rights Act of 1964.[23] The court contributed to the dialogue on educational equality by noting that equality of treatment was not effectuated by merely providing all students with the "same facilities, textbooks, teachers, and curriculum."[24] Where children have learning disabilities which foreclose from them the full benefit of a public education the question of equality must be raised. Equality of services rendered may, therefore, be of even greater importance to the Supreme Court than equal access to dollars. It is conceivable that more definitive equality guidelines may be obtained from pursuing the equal access question under the Civil Rights Act of 1964 than under the equal protection clause; particularly since the Act provides that the recipients of federally financed projects may not:

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[21] See: Mills v. Board of Education, 348 F. Supp. 866 (D.C.D.C.) (1972).

[22] 94 S. Ct. 786 (1974).

[23] § 601, Civil Rights Act of 1964, 42 U.S.C. § 2000d.

[24] 94 S. Ct. 786, 788.

> Provide any service, financial aid, or other benefit to an individual which is different, or is provided in a different manner, from that provided to others under the program. . .

Even though the question of educational needs and services was deemed to be "unmanageable" by the McInnis court, a decision summarily affirmed by the U. S. Supreme Court, it is entirely possible that a judicial standard of educational equality may be more effectively pursued through the educational needs and services arguments than through the more complex issues of finance and taxation.

Benefits of Education

Courts which have spoken of the outputs or benefits of education as the measure of educational equality are of little help in establishing equality standards. Upon entering any discussion of educational benefits one must be prepared for a confusion of data and rampart contradiction. Part of the problem is that no one can agree on what benefits should be obtained through education. Should the benefit be immediate, showing a direct gain in achievement test scores? Should education guarantee employability regardless of the state of the nation's economy? Is the level of income the sole criterion or are there more intangible benefits to education? Should education redistribute income to lower income groups and serve as a leveler of society? These are all complex questions and their resolution will not be found in the foreseeable future.[25]

Some courts[26] have impatiently dismissed benefits as an unobtainable measure of equality; it begs the question they say. These courts have maintained that the major determinant of educational equality is money, assuming quite rationally that more money will buy better services. Part and parcel of this entire controversy is whether the state can equalize social and economic differences among families and individuals. Can the state, through the public schools, overcome the influence of unequal backgrounds of children who enter school with unequal private resources? If so, this requires an unequal distribution of public resources of sufficient magnitude to offset the unequal private inputs.

Coleman has said:

> To fully counter the inequality of private resources, the publicly-provided resources for the privately disadvantaged must be sufficient to provide to all children the same opportunity as held by the child with the greatest private resources, genetic and environmental. This is obviously impossible.[27]

According to Coleman society cannot make an implementable decision to guarantee equal opportunity to all children. What it must do, though, is decide what "level of public resources and what imbalance of public resources it should invest to reduce the level of inequality that arises from private resources." If the public sector then cannot with any amount of resources for public schools overcome the impact of private influences on the eventual benefits which a child will receive, the least the state can do is overcome those inequalities which are created by the state itself. The state can further seek to ameliorate those conditions which create learning difficulties aside from a complete mitigation of the impact of private resources. The child should not suffer both the inequality of private resources of his family, which he cannot avert, and an additional inequality created by the state as a result of its taxing system or educational services. In Rodriguez, the Supreme Court relied on certain benefit studies to question whether inputs made any difference in educational outputs. This poses an unsolvable social and economic dilemma which studies of the impact of public education cannot now resolve and probably never will.

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[25] Christopher Jencks, Inequality, A Reassessment of the Effect of Family and Schooling in America, Basic Books, Inc., New York, 1972; Perspectives on Inequality, Harvard Educational Review, Reprint Series No. 8, 1973.

[26] Serrano v. Priest, 96 Cal. Rptr. 601, 487 p.2d. 1241 (1971); Van Dusartz v. Hatfield, 334 F. Supp. 870 (D. Minn. 1971); See Justice Marshall's in Rodriguez. See also: McInnis.

[27] James S. Coleman, "Equality of Opportunity and Equality of Results," Perspectives on Inequality, Reprint Series No. 8, Harvard Educational Review, 1973, pp. 98-99.

If Jencks'[28] exhaustive report Inequality says anything it is certainly that equal cognitive skills, equal educational level, and equal family background does not lead to equal economic benefits during a lifetime. If this is true, the benefits as measured in terms of lifetime earning is not an appropriate standard by which a court should judge inequalities of educational opportunity. Better measures of benefits must be developed or output arguments become useless academic exercises, in fact, an exercise in randomness. As one commentator so aptly put it, we will merely continue to show that "nothing in the world has any significant relationship with anything else in the world." Which in the educational realm means that since there is no relationship between inputs and outputs (benefits) it really does not matter what kind of school we have since they have no affect on the child's future anyway.

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[28] Jencks, et. al., op. cit.

With this the state of affairs, it is clear that any standard of equality cannot at this point in time be geared to such nebulous quantifications as educational outputs.

Four Standards of Equality

In the absence of more definitive standards of equality advanced by the courts, it would seem appropriate for us as educators to attempt to devise some legislatively workable standards for equality of school financing.

Educational Need

Enough has been said about educational need to declare it a major consideration in providing an equality of opportunity. Mills and Lau present forward looking constitutional standards whereby each child must have an equal chance to sample the fruits of the educational system. As was made very clear in both decisions, to simply provide all children the same program is not sufficient. Additional services must be given to those who need them regardless of cost. Therefore a definite standard which must be taken into consideration is educational need.

Much of the work of the National Educational Finance Project has been devoted to the analysis of incidence rates of types of educational need and the corresponding cost differentials for funding appropriate services. Cost differentials evolving from cost accounting of ongoing programs present a relatively reliable picture of the educational financial burden accompanying the implementation of high cost education programs. Cost analysis such as this and other similar efforts have diminished the uncertainty which existed previously. States are in a much better position today to quantify accurate objective measures of educational need than ever before; several states have moved in this direction. In these instances the educational needs of children have been assessed, programs have been identified, and cost differentials or weightings have been applied. This procedure has resulted in the establishment of minimum program cost standards for a state upon which all such programs statewide may be based. To assure adequate data, the state should assume an active role in assessing educational needs and program costs. In these programs, expenditures for instructional salaries and other current operation have been identified and included in the composite cost of the educational program.

Fiscal Effort

When states provide local school districts with the discretion to increase or reduce tax rates, an implicit assumption is that local decisions will be on the whole reasonable and rational. To maintain, however, that local exercise of discretion is prima facie rational is a mistake which many states have made in designing school finance systems. The result has been that the vagaries of the local social, economic, or political conditions have sometimes worked to retard worthwhile education, and the citizens of the community have without due consideration to the consequences deprived their own children of equal educational opportunity.

A state school system which is dependent on local funds for general support must address the problems created by variations in fiscal effort. A child's education may be seriously impaired if local aspiration levels prevent local school authorities from utilizing resources which are present in the tax base of the community. Only in a system of full state funding is the issue of effort eradicated. If local option is allowed to establish the funding floors and ceilings, the dilemma of effort presents itself regardless of the level of fiscal equalization. The state can only diminish the impact of disequalization through variations in local effort by mandating uniform taxation requirements throughout the state.

Cost of Delivering Education

The variation in expenditures per pupil between rich and poor school districts has usually been of such magnitude as to mask the smaller differences which exist due to cost of living or more accurately cost of delivering education. In terms of equalization priorities, fiscal equalization should be realized, educational needs should be met through uniform programs and services, and effort variations should be diminished; then, costs of delivering educational services should be used as a correction factor to assure more fully equalized educational opportunity. The National Urban Coalition has observed that, "Wealth, need, and effort being equal, high cost districts should receive more aid than low cost districts."[29] The need for indices of educational costs in state aid formulas was recognized by the President's Commission on School Finance, "Distribution of educational resources equally requires that the value of the resources at the receiving end be equal."[30]

All of the studies testify to the difficulty of identifying a reliable measure for the cost of delivering education. While equal educational opportunity cannot be fully achieved until the cost dilemma is resolved, it nevertheless would do further damage to an already inequitable system to establish cost indexes which tend to reward wealthy school districts because they already have more. Careful attention must be given to identifying costs for the same standard of living. Moreover, the same standard of educational opportunity is governed to a great extent by teacher supply and demand. A teacher's selection of a certain school district may be related to a number of variables, each of which represents a cost function. For example, Fox has observed that the cost of living alone is surely inadequate as a measure of cost of delivering education when a combination of such factors as (a) difficulty of assignment (combat or battle pay), (b) district location (boredom pay), and (c) price differentials (cost of living) are all significant contributors.[31]

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[29] Schools, People, and Money, The Need for Educational Reform, Final Report (The President's Commission on School Finance, 1972), p. 35.

[30] Florida Statutes, 236.081(4).

The National Educational Finance Project has recommended that provisions be made in the state school finance plan for variations among districts in the cost of living for the same standard of living. In the educational sense this means that cost variations should only reflect true and valid differentials and be unrelated to wealth of school district. The state formula should recognize only those factors which create inequality of educational services because of variations in the cost of delivering education.

Fiscal Neutrality

Even though the Supreme Court in Rodriguez rejected the argument that complete fiscal equalization was required by the U. S. Constitution and today the prevailing view of state supreme courts seem to lean in the same direction, the standard of fiscal neutrality is morally, educationally, and socially desirable. Fiscal neutrality can be accomplished in a variety of ways but essentially the alternatives boil down to (1) full state funding, (2) state and local funding, with all local funds charged back against the foundation program amount, (3) a foundation program at a reasonably high level supplemented by a percentage equalizing formulas which fully equalize the local leeway, (4) a percentage equalizing plan fully equalized to the wealthiest district in the state, or (5) a district power equalizing plan whereby effort is unrestricted and the state may recapture funds from the wealthier local school districts which exceed a certain predetermined maximum. Of course, various minimums and maximums can always slide and be adjusted within each of these five plans, however, each will accomplish fiscal neutrality. To date no court has suggested these as the fiscal equalizing standards which may be used.

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[31] James N. Fox, "Cost of Living Adjustments in School Finance: Righteous Intent, Wrong Technique," unpublished paper, 1974, p. 3-4.

Judicially Manageable Standards Cannot Merely Include Fiscal Equalization

The standards must basically revolve around educational need, fiscal neutrality, effort and cost of delivering education. Further, the standards should seek to equalize the services rendered to each child rather than addressing itself to the nebulous concepts of outputs. Sometime in the future the state of the art may become of such sophistication to allow a child's education to be dependent on estimates of lifetime benefits.

In conclusion I must say that the courts have not as yet provided any workable, reasonable, rational, feasible standard for equality of school financing. This is a very complex problem for which the courts have little expertise. In fact, the issue of creating equal educational opportunity is much too complex to be left to judges. The issues involved can only be *solved by dedication of educators as experts working in consultation with reasonably sophisticated legislators.*

Chapter 3

FISCAL EQUALIZATION: STATE V. FEDERAL

Richard G. Salmon*

The concept of equalization of educational opportunity has been and continues to be a much discussed topic by various segments of our society. However, it is an illustrative concept which has different meanings for different poeple depending upon their fields of interest. That is, equalization of educational opportunity has one meaning for a sociologist and an entirely different meaning for an economist. For the purposes of this paper, one aspect has been selected, fiscal equalization, from the rather broad concept of equalization of educational opportunity.

Operationally defined, state fiscal equalization of educational opportunity is most nearly accomplished when the varying educational needs of the student population are taken into consideration before the state allocations are made, and the variation of the ability of the local school districts to support education is eliminated through the utilization of state resources.

A similar definition was utilized to operationally define federal fiscal equalization. That is, federal fiscal equalization of educational opportunity is most nearly accomplished when the varying educational needs of the student population are taken into consideration before the federal allocations are made, and the variations of the ability of the states are eliminated through the utilization of federal resources.

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Fiscal Equalization: State/Local Vantage

Historically, the leadership and drive for fiscal equalization has occurred at the state and local levels rather than from the federal government. Early in the twentieth century, one of the first to become interested in fiscal equalization, Ellwood P. Cubberly,[1] rather mildly suggested that state governments financially assist local school systems in providing a minimum educational program for their citizens. As a result of Cubberly's work, many states developed a rudimentary system, usually in the form of flat grants. However, it was not until George Strayer and Robert Haig[2] introduced the minimum foundation program concept in 1923 that impetus for fiscal equalization was truly generated. Many states under the added leadership of Paul Mort,[3] elected to adopt the Strayer-Haig-Mort equalization concept. Since the introduction of the Minimum Foundation Program Concept, many other fiscal equalization formulae have been developed and implemented across the United States. Such school support programs appear to fall into the following broad classifications identified in Table 1.

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[1] Cubberly, Ellwood P., School Funds and Their Apportionment, New York: Bureau of Publications, Columbia University Teachers College, 1905.

[2] Strayer, George D. and Robert M. Haig, The Financing of Education in the State of New York. Report of the Educational Finance Inquiry Commission, New York: The Macmillan Company, 1923.

[3] Johns, Roe L., and Edgar L. Morphet, The Economics and Financing of Education. 2nd ed., New Jersey: Prentice Hall, Inc., 1969.

Although considerable progress resulted due to the implementation of such plans and variation in expenditures were reduced, educational opportunities as measured by financial resources per child are far from

Table 1

Classification of the States Into Types of School Support Plans Used for the School Year, 1971-72

Flat Grant Programs	Strayer-Haig-Mort	Percentage Equalizing	Guaranteed Valuation or Tax Yield	Complete State Support
Arizona	Alabama	Alaska	Utah	Hawaii
Arkansas	California	Iowa	Wisconsin	
Connecticut	Colorado	Maine	New Jersey	
Delaware	Florida	Massachusetts		
New Mexico	Georgia	New York		
South Carolina	Idaho	Pennsylvania		
North Carolina	Illinois	Rhode Island		
	Indiana	Vermont		
	Kansas			
	Kentucky			
	Louisiana			
	Maryland			
	Michigan			
	Minnesota			
	Mississippi			
	Missouri			
	Montana			
	Nebraska			
	Nevada			
	New Hampshire			
	North Dakota			
	Ohio			
	Oklahoma			
	Oregon			
	South Dakota			
	Tennessee			
	Texas			
	Virginia			
	Washington			
	West Virginia			
	Wyoming			

being equal today. There are many studies that document the wide variation in financial resources being used for public education among states, and even wider variations are evident among school districts within a state--see Appendix A. The problem is inherent in the organizational and tax structure of public education utilized by most states in the United States. That is, since the state-local-federal partnership of public education relies heavily on local ad valorem taxes, disparities in school expenditures per child are created by the variations in the tax bases of local school districts. One measure of taxpaying ability, personal income per child in average daily attendance, is displayed in Table II. It can be observed that there is nearly a 2 to 1 variation between the top five and the bottom five states for 1971.

Table II

Personal Income Per Pupil In Average Daily Attendance For 1971 For the Five States With The Highest Personal Income Per Child And The Five States With Its Lowest Personal Income Per Child

States	Personal Income Per Child In ADA
Five Highest	
New York	$22,153
Connecticut	20,029
New Jersey	19,646
Nevada	19,524
California	18,926
Five Lowest	
Louisiana	11,604
Alabama	11,588
South Carolina	11,556
New Mexico	11,195
Mississippi	9,926

As early as 1942, Henry Morrison[4] at the University of Chicago strongly criticized developers of equalization plans:

> . . . one district will find so ample a sum of taxables behind each child to be schooled that with little effort it can raise abundant school revenue, while another district can support only the most meager schools under a burden of taxation which eventually proves utterly destructive to the tax . . . We have a childlike faith in "plans." When the inevitable disillusionment comes, we conclude that the plan "did not work" and look for another. In the case of equalization schemes, the disillusionment is prone to come at a time when the original plan has been forgotten and inequality is discovered all over again.

Although many scholars and critics of school finance recently have been converted to the Morrison position, only the state of Hawaii has adopted the Morrison plan which operates with minimal local funding.

In the latter part of the 1960's, there was growing discontent in several states in regard to the lack of fiscal equalization. Beginning with the McInnis v. Shapiro[5] case in 1969, including the Burrus v. Wilkerson[6] case in 1970, and culminating with the San Antonio Independent School District v. Rodriguez[7] decision in 1974, there was a continuous series of court cases challenging various states' school support programs. There was some variation in the manner in which the cases were prepared and presented to the courts, but all cases had the common ele-

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[4] Morrison, Henry C., School Revenue. Chicago: University of Chicago Press, 1940.

[5] McInnis v. Shapiro, 89 S. Ct. 1197, 1969.

[6] Burrus v. Wilkerson, 90 S. Ct. 812, (1970).

[7] Rodriguez v. San Antonio Independent School District, 411 U.S. 1, (1974).

ment of the plaintiffs protesting the variation of total available expenditures per child being provided between poorer and wealthier schools in a state. In some states, those protesting the lack of fiscal equalization were successful and the courts supported their position. However, the Rodriguez case was appealed to the U. S. Supreme Court and resulted in a shattering defeat for those advocating the egalitarian position.

Also, due to the increased interest in school finance in the latter part of the 1960's, the U.S. Office of Education funded the National Educational Finance Project. One task assigned to the NEFP was to ascertain the status of fiscal equalization in the United States. The NEFP typology[8] was developed and applied to the school support program in each state for the school year 1968-69. The results of the study are displayed in Table III. Three years later, for the second year 1971-72, the study[9] was replicated and the results are displayed in Table IV.

It is interesting to note several states (denoted by an asterisk in Table IV) made significant improvement in the three-year period from 1968-69 to 1971-72. A brief investigation of the four states identified in Table IV revealed the following:

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[8] *Johns, Roe L., and Richard G. Salmon, "The Financial Equalization of Public School Support Programs in the United States for the School Year, 1968-69." Chapter IV in Status and Impact of Educational Finance Programs. Vol. 4, National Educational Finance Project, 1971.*

[9] *Salmon, Richard G., and M. David Alexander, The Financial Equalization of Public School Support Programs in the United States for the School Year, 1971-72. (to be published in 1975).*

Table III

Ranking and Equalization Scores of the States Based on the NEFP Typology for the School Year 1968-69.

Rank	State	Score	Rank	State	Score
1	Hawaii	8.400	26	Maryland	5.092
2	Utah	7.143	27	Virginia	5.085
3	Rhode Island	6.862	28	Texas	4.963
4	Alaska	6.628	29	California	4.841
5	Wyoming	6.543	30	Montana	4.810
6	Washington	6.368	31	Maine	4.804
7	Idaho	6.318	32	Nevada	4.779
8	Alabama	6.220	33	Massachusetts	4.536
9	Delaware	6.202	34	Oregon	4.535
10	North Carolina	6.148	35	Tennessee	4.521
11	Georgia	6.103	36	Minnesota	4.433
12	Kentucky	6.042	37	Arizona	4.355
13	Florida	5.995	38	Iowa	4.042
14	New York	5.957	39	North Dakota	3.931
15	Louisiana	5.929	40	Missouri	3.852
16	New Mexico	5.915	41	Michigan	3.844
17	Ohio	5.882	42	Kansas	3.820
18	Pennsylvania	5.870	43	New Jersey	3.754
19	Vermont	5.834	44	Indiana	3.704
20	Wisconsin	5.781	45	Oklahoma	3.691
21	Mississippi	5.744	46	Arkansas	3.647
22	West Virginia	5.578	47	Colorado	3.571
23	Illinois	5.398	48	South Dakota	3.420
24	Nebraska	5.378	49	New Hampshire	3.091
25	South Carolina	5.235	50	Connecticut	2.295

Table IV

Ranking and Equalization Scores of the States Based on the NEFP Typology for the School Year 1971-72

Rank	State	Score	Rank	State	Score
1	Hawaii	8.4000	26	Oklahoma	5.1995
2	Utah	7.7518	27	Colorado	4.9553
3	Alaska	7.6168	28	Texas	4.8438
4	Wyoming	7.6115	29	Maine	4.7892
*5	Ohio	7.0001	30	Michigan	4.6768
*6	Minnesota	6.9239	31	Indiana	4.6058
*7	Pennsylvania	6.5550	32	Nebraska	4.5768
8	North Carolina	6.2817	33	Montana	4.5731
*9	Wisconsin	6.2491	34	Tennessee	4.3934
10	New Mexico	6.1523	35	Virginia	4.3774
11	West Virginia	6.1182	36	California	4.2476
12	Kentucky	6.1058	37	Oregon	4.2265
13	Rhode Island	6.0999	38	Missouri	4.1338
14	Illinois	6.0567	39	Vermont	4.1331
15	Alabama	6.0302	40	Maryland	4.1061
16	Washington	6.0105	41	South Carolina	4.1066
17	Nevada	5.8816	42	North Dakota	3.8077
18	Georgia	5.8035	43	New Jersey	3.7984
19	Florida	5.7854	44	Arkansas	3.7398
20	Idaho	5.7364	45	Iowa	3.6981
21	Lousiana	5.7173	46	Arizona	3.4571
22	New York	5.7215	47	Kansas	3.4375
23	Delaware	5.5676	48	New Hampshire	3.1446
24	Massachusetts	5.5591	49	South Dakota	2.8009
25	Mississippi	5.5147	50	Connecticut	1.9351

*States that moved into the top ten by more than 10 places.

Ohio	(Score increased from 5.882 to 7.0001) State increased its financial assistance by nearly $200,000,000 or increased its share by approximately 44 percent of the 1968-69 state revenues.
Minnesota	(Score increased from 4.433 to 6.9239) State increased its financial assistance by over $200,000,000 or increased its share by approximately 64 percent of the 1968-69 state revenues. Also inacted a new distribution formula.
Pennsylvania	(Score increased from 5.870 to 6.5550) State increased its financial assistance by nearly $200,000,000 or increased its share by approximately 26 percent of the 1968-69 state revenuew. Major changes occurred in the distribution formula.
Wisconsin	(Score increased from 5.781 to 6.2491) State increased its financial assistance by nearly $200,000,000 or increased its share by approximately 121 percent of the 1968-69 state revenue. Major changes occurred in the distribution formula.

For various reasons, unique to each of the above states, all made significant gains in both the total and percentage of revenues provided by the state governments. However, the states cited were exceptions to the rule during the three year period from 1968-69 to 1971-72. Nationally, the trend of increasing state revenues leveled off and actually declined during this period as can be seen by an examination of Table V.

Table V

Percentage of Revenues Provided by Local, State, and Federal Governments 1968-69 and 1971-72

	1968-69	1971-72
Local	51.8	51.8
State	40.9	40.2
Federal	7.3	8.0

Unfortunately, when fiscal equalization was considered collectively, there was relatively little progress obtained. The NEFP Typology yielded a mean equalization score of 5.131 for 1968-69 and 5.174 for 1971-72.

Observations and Projections

Research has indicated that formulae alone do not guarantee fiscal equalization. There is also evidence that the proliferation of state grants-in-aid and excess numbers of school districts do little to promote fiscal equalization. Certainly, a formula can be developed which will best meet the needs and objectives of a specific state. However, the most significant single aspect affecting fiscal equalization is the percentage of total school revenues provided by state government. The larger the percentage provided by state government, the greater the degree of fiscal equalization provided the citizens in the state. More significant progress can be made in regard to fiscal equalization by concentrating efforts in acquiring additional financial resources from the state governments than in attempting to enact new distribution formulae.

At least some of the progress made in a limited number of states in providing greater fiscal equalization must be attributed to the impact the previously mentioned court cases had on legislatures. Although many writers[10] believe that the Rodriguez decision did not take the "heat off" of legislatures in providing greater fiscal equalization, the writer has to concur with those who believe that most legislatures will be unlikely to make any significant progress in the foreseeable future. There is still some hope for reform in the state courts in suits which rely upon specific items in state constitutions.

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[10] See for example: Hickrod, G. Alan, "Alternative Fiscal Solutions to Equity Problems in Public School Finance," School Finance in Transition: National Conference on School Finance, 1973, p. 179.

Fiscal Equalization: Federal Vantage

The achievement of any degree of fiscal equalization by the allocation of federal resources can best be described as happenstance and not intentional. Historically, the federal government has been much more concerned with special purpose or categorical aid distributed in a uniform pattern across the United States than in providing fiscal equalization. However, the most important aspect that hinders federal fiscal equalization is the political arena in which the distribution formulae are written. Most of the wealthiest states in the United States are also among the largest states and, as a consequence, the most influential. Therefore, the distribution formulae are written so that the wealthier and influential states are quaranteed a sizeable percentage of the federal revenues.

The Bedenbough and Alexander[11] study, conducted as a segment of the grants-in-aid did little to aid fiscal equalization. Of ten grants-in-aid investigated, only NDEA Title III, the Vocational Education basic grants, and ESEA Title I had a significant equalizing effect.

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[11] Bedenbough, Edgar H., and Kern Alexander, "Financial Equalization Among the States from Federal Aid Programs," Chapter VIII in Status and Impact of Educational Finance Programs. National Educational Finance Project, 1971.

Even then, under close scrutiny, ESEA Title I has some rather severe negative features that were identified in recent litigation. In the 1974 Downs v. Marland II case, the plaintiffs charged that although the ESEA Title I formula--see Appendices B and C--identifies an educationally deprived child in Kentucky in the same manner as it identifies a similar child in New York, it nevertheless grants substantially more funds to the educationally deprived child in New York than in Kentucky. Therefore, as stated by Lavit and Alexander[12] "The child with the same educational needs such as the plaintiffs in Downs v. Marland . . . is given much less federal assistance than his counterpart in the wealthy state of New York, thereby violating the Due Process clause of the Fifth Amendment."

Concluding Remarks

The status of fiscal equalization described in this paper does little in the way of offering encouragement to the proponents of fiscal equalization. A rather grim economic forecast exists for most states due to the tendency of most legislatures to maintain the "status quo" and the tendency to place the responsibility for raising additional educational revenues on local governments. Most state public school systems are due to be asked to "bite the bullet" and the drive for greater fiscal equalization will be temporarily shelved.

APPENDIX TO FOLLOW

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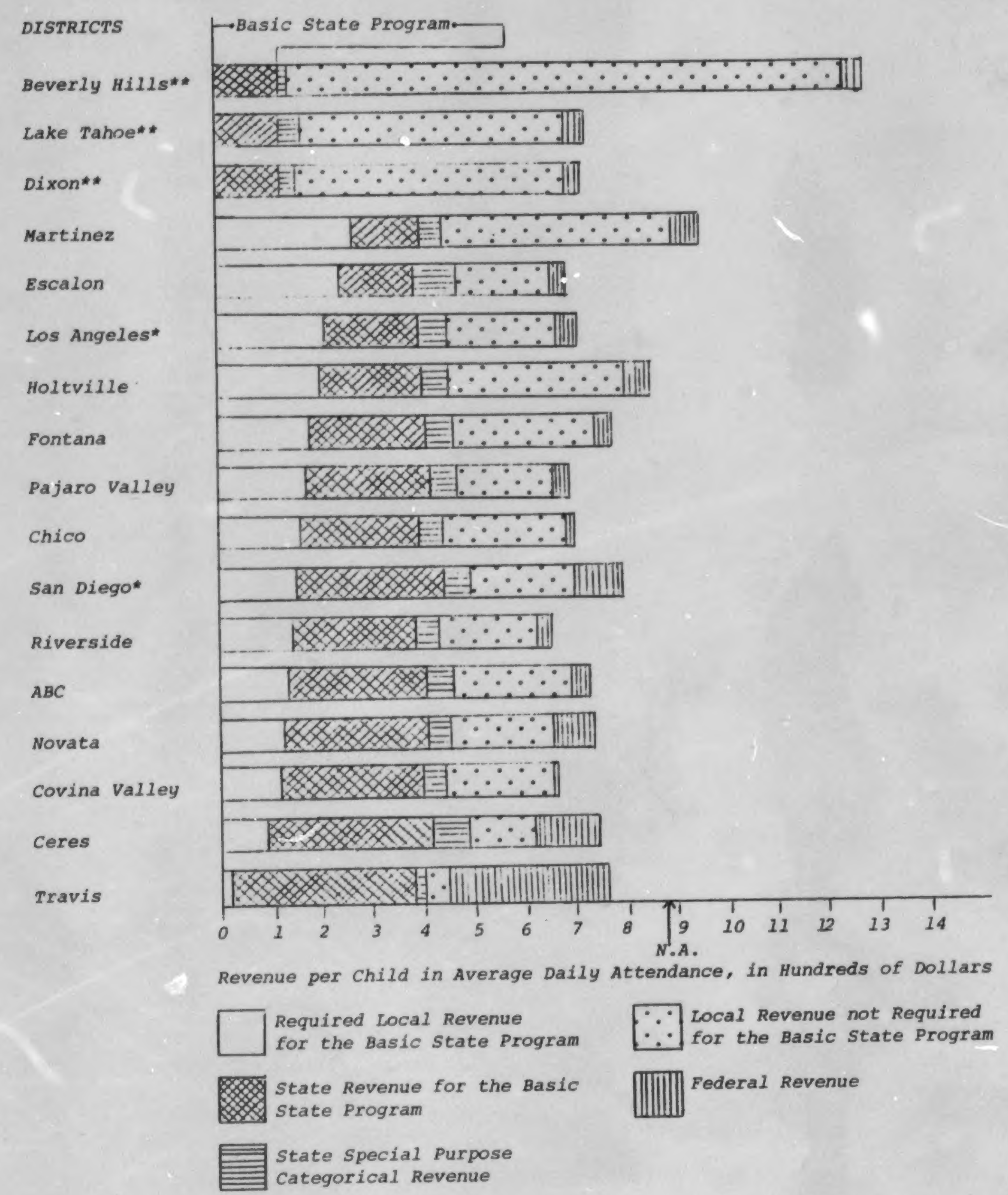
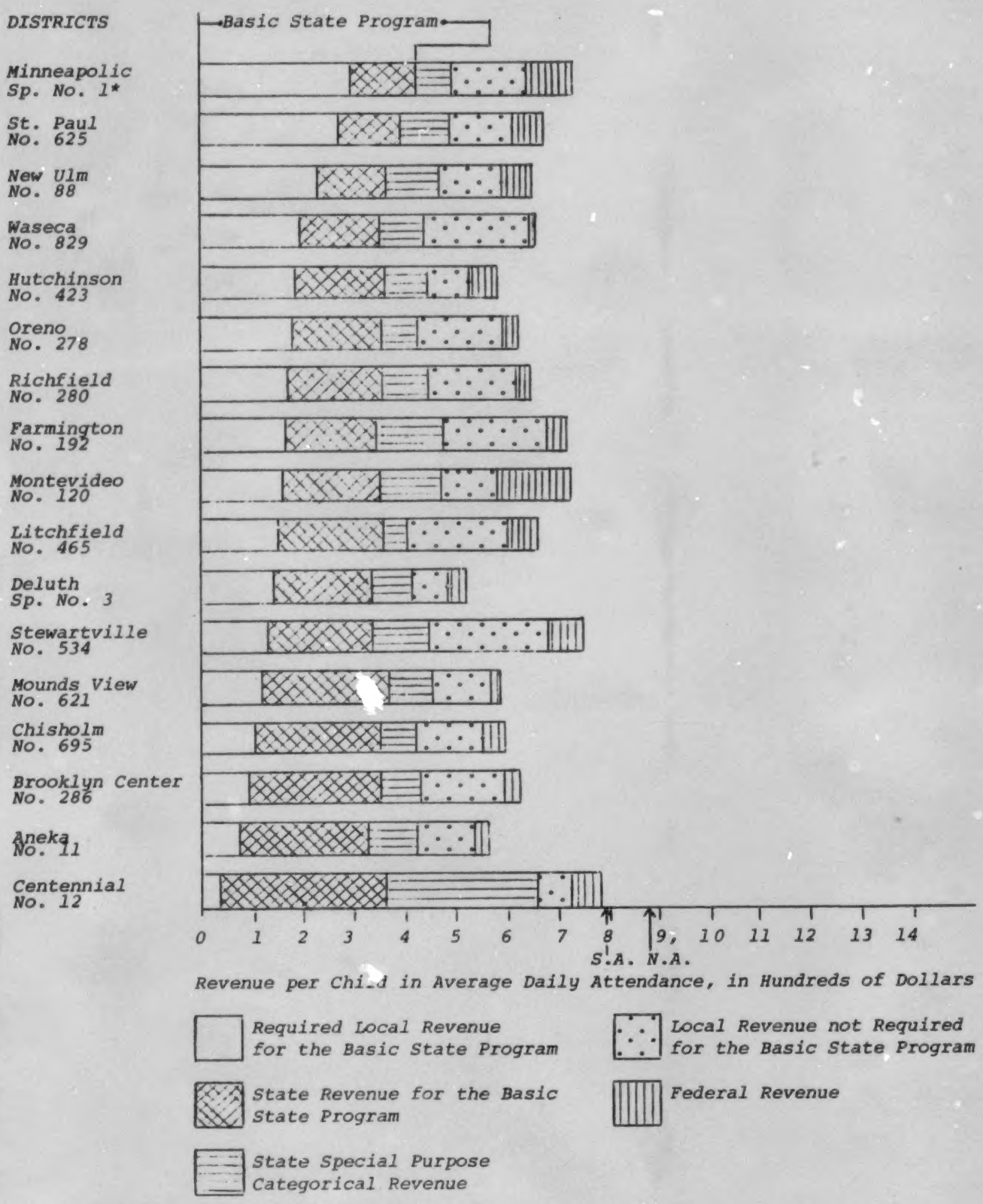
[12] Lavit, Theodore H., and Kern Alexander, "Constitutionality of the Title I ESEA Formula: Inverted and Regressive," School Finance in Transition: National Conference on School Finance, 1973, p. 109. Also note: Stephen B. Thomas, "Amicus Curiae Brief," Downs v. Marland, U. S. District Court (Western District of Kentucky).



* The two largest school districts in terms of average daily attendance.

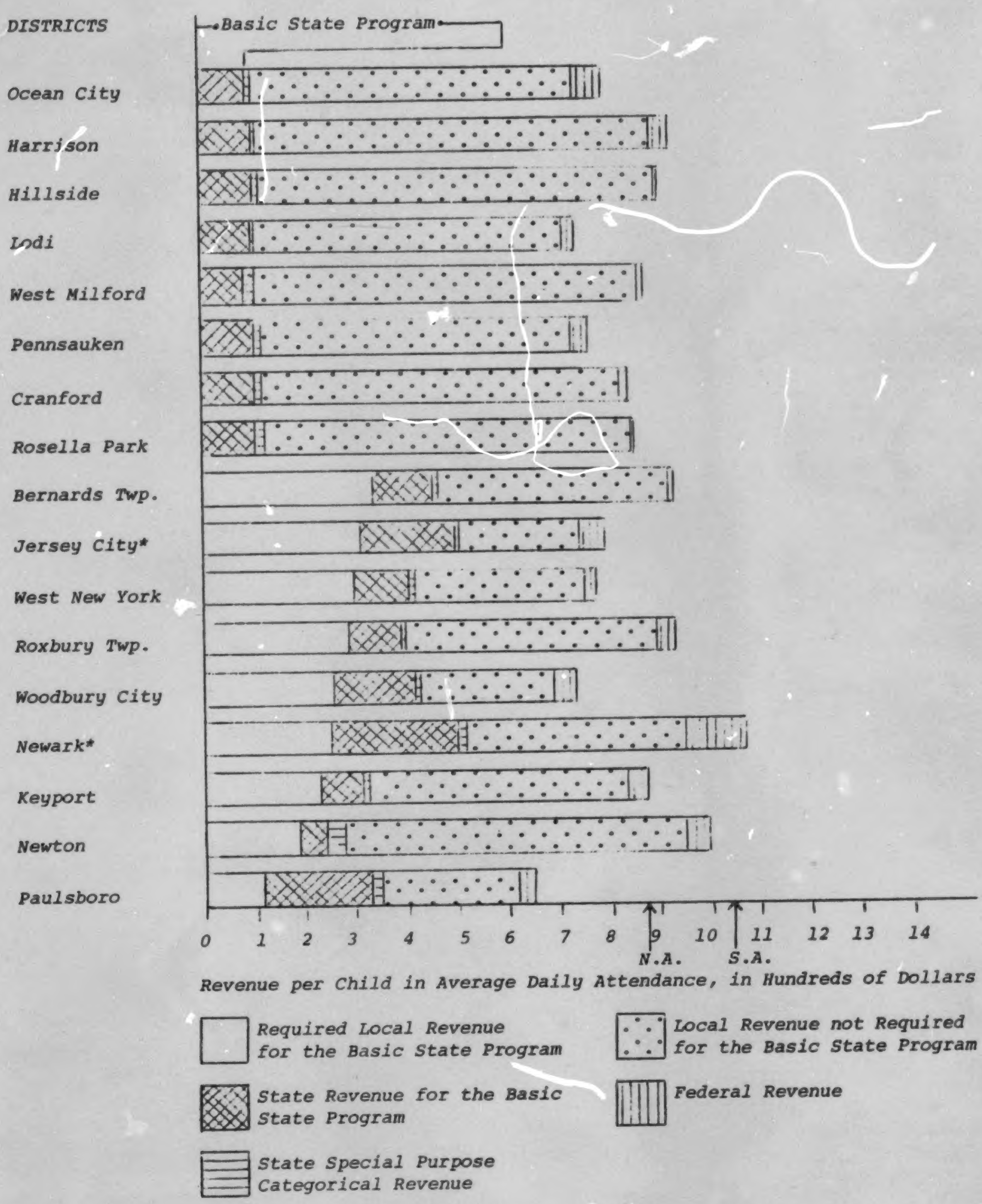
** These three districts did not participate in the equalization portion of the basic state program and did not have a local revenue requirement.

FIGURE 7. Revenues Available to Selected School Districts (having 1500 and Above in ADA and Ranging from the Most to the Least Wealthy) in California for 1968-1969.



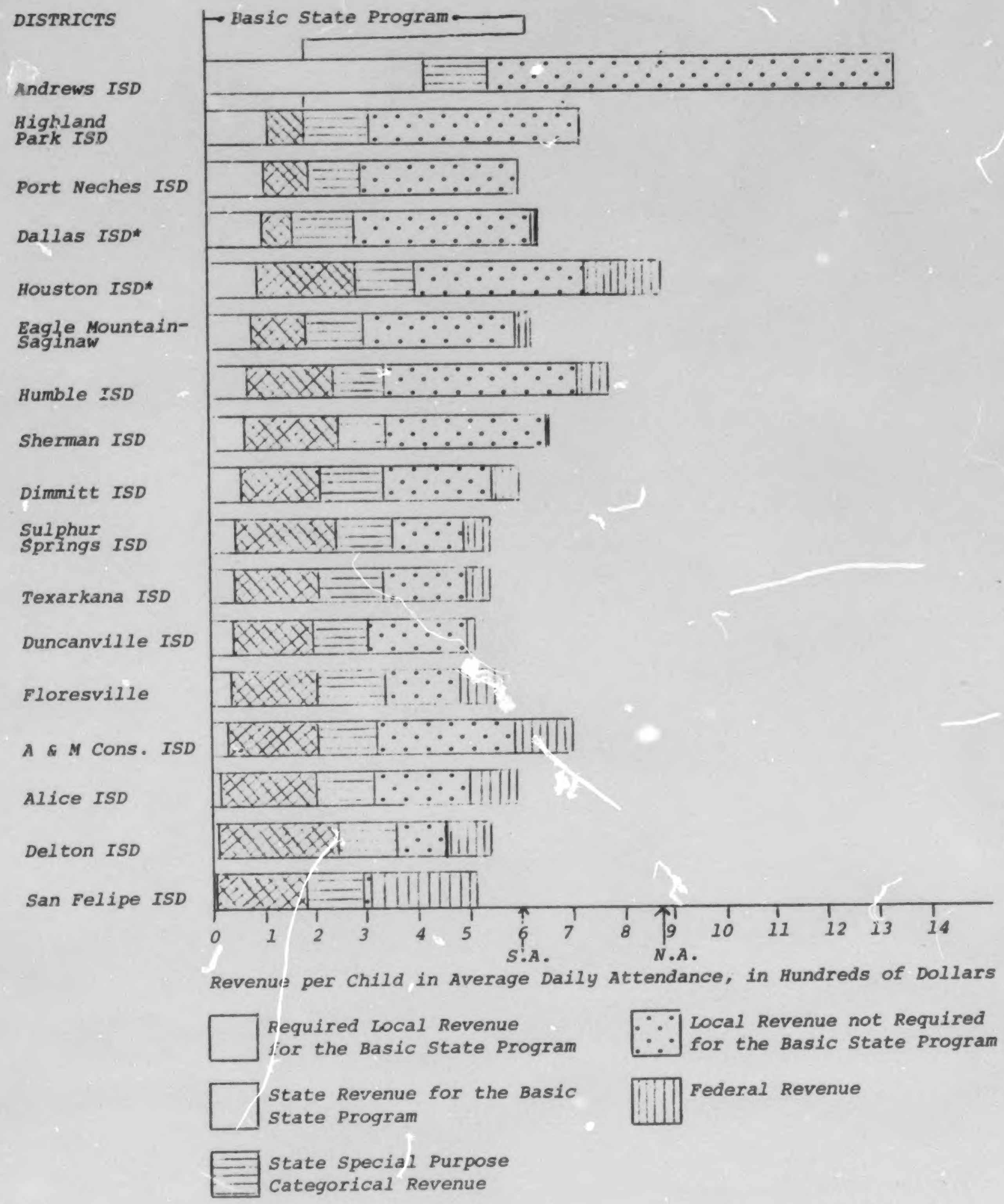
* The two largest school districts in terms of average daily attendance.

FIGURE 24. Revenue Available to Selected School Districts (having 1500 and Above in ADA and Ranging from the Most to the Least Wealthy) in Minnesota for 1968-1969.



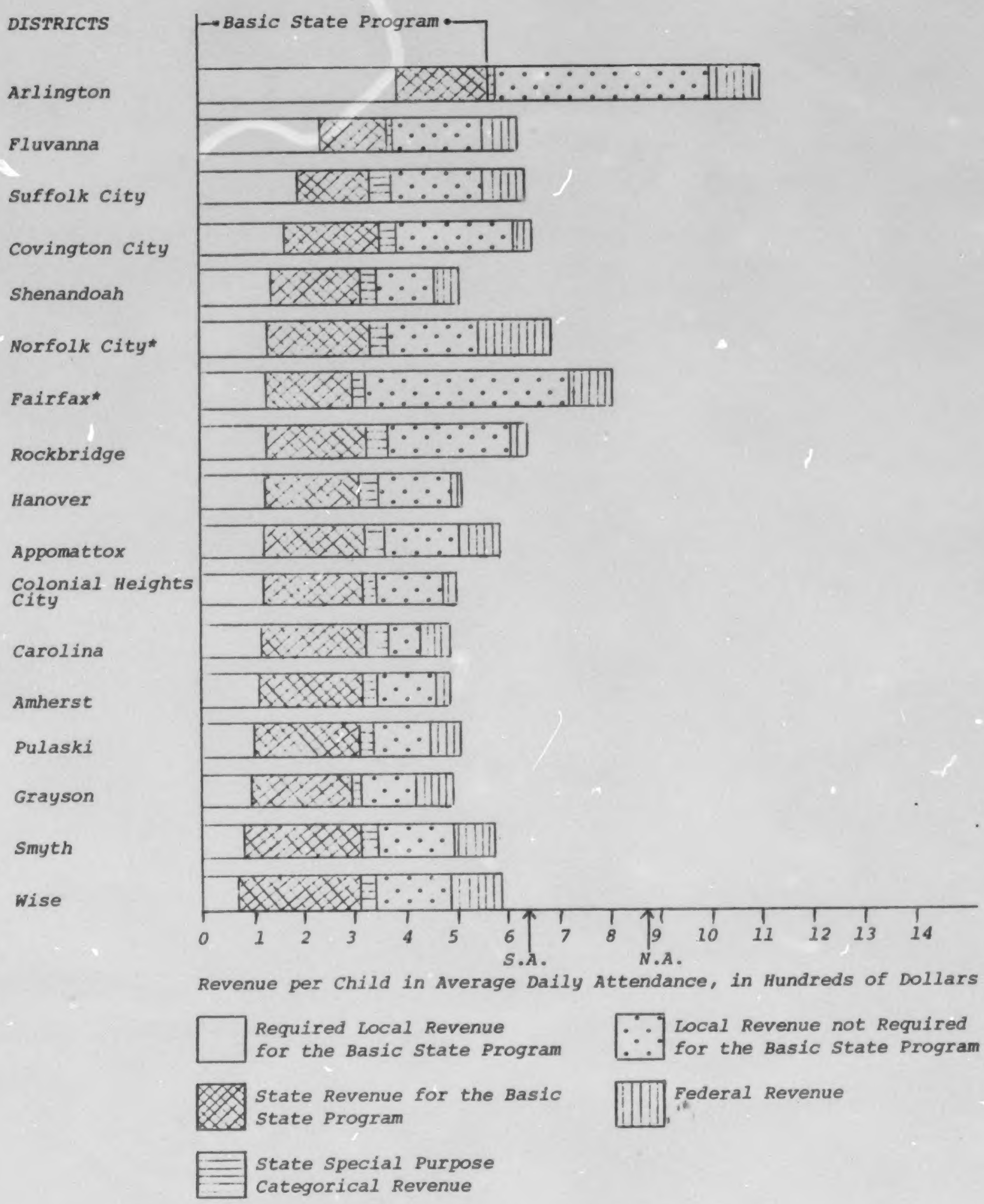
* The two largest school districts in terms of average daily attendance.

FIGURE 31. Revenues Available to Selected School Districts (having 1500 and Above in ADA and Ranging from the Most to the Least Wealthy) in in New Jersey for 1968-1969.



* The two largest School districts in terms of average daily attendance.

FIGURE 44. Revenues Available to Selected School Districts (having 1500 and Above in ADA and Ranging from the Most to the Least Wealthy) in Texas for 196801969.



* The two largest school districts in terms of average daily attendance.

FIGURE 47. Revenues Available to Selected School Districts (having 1500 and Above in ADA and Ranging from the Most to the Least Wealthy) in Virginia for 1968-1969.

"The maximum grant which a local educational agency in a State shall be eligible to receive under this part for any fiscal year shall be . . . an amount equal to the Federal percentage (established pursuant to subsection (c) of this section) of the average per pupil expenditure in that State or, if greater, in the United States, multiplied by the number of children in the school district of such agency who are aged five to seventeen, inclusive, and are (A) in families having an annual income of less that the low-income factor -- (established pursuant to subsection (c) of this section), (B) in families receiving annual income in excess of the low-income factor (established pursuant to subsection (c) of this section) from payments under the program of aid to families with dependent children under a State plan approved under Title IV of the Social Security Act or (C) living in institutions operated by the United States, but not counted pursuant to paragraph (7) of this subsection for the purpose of a grant to a State agency, or being supported in foster homes at public funds. 20 U.S.C. 241c(a)(2)(emphasis added)

"In any case in which the Commissioner determines that satisfactory data for that purpose are available, the grant which a local educational agency in a State shall be eligible to receive under this subpart for a fiscal year shall (except as provided in paragraph 3) be determined by multiplying the number of children counted under subsection (c) by 40 per centum of the amount determined under the next sentence. The amount determined under this sentence shall be the average per pupil expenditure in the State except that (A) if the average per pupil expenditure in the United States, such amount shall be 80 per centum of the average per pupil expenditure in the United States, or (B) if the average per pupil expenditure in the State is more than 120 per centum of the average per pupil expenditure in the United States, such amount shall be 120 per centum of the average per pupil expenditure in the United States. In any case in which such data are not available, subject to paragraph (3), the grant for any local educational agency in a State shall be determined on the basis of the aggregate amount of such grants for all such agencies in the county or counties in which the school district of the particular agency is located, which aggregate amount shall be equal to the aggregate amount determined under the two preceding sentences for such county or counties, and shall be allocated among those agencies upon such equitable basis as may be determined by the State educational agency in accordance with basic criteria prescribed by the Commissioner.

Chapter 4

SPECIAL EDUCATION: FINANCIAL AND LEGAL RAMIFICATIONS

Ernest E. Singletary*

The purpose of this paper is to present the financial and legal ramifications of special education. Areas discussed shall include litigation, the state role, the Federal role, Federal and state expenditures for education of the handicapped, nonpublic school provisions for education of the handicapped, and cost indices and financing of special education.

State Role

The state role in providing services to handicapped children shall be explored by briefly discussing state/financial support procedures and state legislation.

State Financial Support Procedures

The results of a two year study conducted by the Council for Exceptional Children indicate that:

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> ...most states have some form of reimbursement to local school districts for efforts for handicapped children beyond the general school reimbursement ... We might group the reimbursement formulae in two overall categories: unit formulae and per pupil formulae.[1]

Unit funding may be further divided into "pure unit" funding and percentage reimbursement formulae. Per pupil reimbursement formulae may be subdivided into weighted pupil funding, straight sum reimbursement, excess cost, full state funding, and full time equivalents.

Based on data gathered by the Council for Exceptional Children's State and Local Governmental Relations Units, 19 states have pure unit funding, 19 with percentage reimbursement, 10 have weighted reimbursement, 6 have straight sum reimbursement, 14 with excess cost, only 3 with full state funding, 2 F.T.E., and 6 listed as other. Twenty-two states have combinations of 2 to 4 types of funding patterns with privisos. Table A-1, Appendix A, depicts each state's reimbursement methodology.[2]

Percentage reimbursement has a negative aspect in that some states may fund at less than 100 percent of the required cost of operation. Colorado, Connecticut, Michigan, Minnesota, Montana, New Jersey, Oklahoma, Rhode Island, South Dakota, Virginia, and Wisconsin operate primarily on a pure percentage reimbursement basis. For special education provided by local school divisions, Virginia reimburses up to 60 percent of personnel salaries, with local contributions covering the remaining costs. For private non-sectarian schools for the handicapped, 60 percent of the amount paid by the school district up to $750 for a day program, and $3,000 for a residential program is reimbursed. To parents, up to 75 percent of the tuition cost, up to $1,250 a year for day programs and $5,000 a year for residential programs is allowed. In cooperative agreements including preschool special education programs and transportation, 60 percent of the cost is reimburseable.[3]

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[1] "Summary of Analysis of State Special Education Finance Laws", Council for Exceptional Children, March 1968, p. 1.

[2] Abeson, A., "State Funding Patterns for Education of Handicapped Children", CEC, a personal communication, Dec. 5, 1974.

State Legislation

During 1974, 23 states proposed 83 pieces of legislation relating to special education. Of the 83 proposed, 11 died in committee or were vetoed by governors, 22 are held currently in committees, and 50 were enacted. Thirteen bills were proposed in the area of special education finance alone, and 8 of them were enacted with 2 still in committee. Table A-2, Appendix A, lists the various special education finance bills.[4]

In 1974, West Virginia made the most obvious gain of 377.6 percent over 1971 funding by raising state appropriations from approximately one half million to $2.7 million. North Carolina made the least with a 30 percent gain since 1971 elevating funding from $30 to $39 million. Based on 1972 legislation, Virginia increased 46.5 percent in 1974 over 1971 funding yielding a rise from $8.6 million to $12.6 million.[5]

As pointed out by Abeson, mandatory legislation written today is high lighted by several new forms: (a) the legislation mandates that all children will be served, (b) firmly establishes dates of compliance, (c) due process protections are clearly delineated, (d) educational normalization is strongly encouraged, (e) training of regular educators is included, and (f) more adequate funding is apparent.[6]

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[3] *Ibid*.

[4] "Final Report, Special Education in the States, Legislative Progress Report," Education Commission of the States, Handicapped Children's Education Project, Denver, Col., Sep., 1974. (refer also to "States with Comprehensive Legislative and Education Project").

[5] *Ibid*.

Virginia operates on a "full planning" mandate which has a deadline of September 1, 1976. The types of legislation found across the country include: (1) full program mandate, (2) planning and programming mandate, (3) planning mandate, (4) conditional mandate, (5) mandate by petition, (6) and selective mandate.[7] Based on 1972-73 data, Virginia was serving approximately 40 percent of the state's exceptional children.[8]

Federal Role

Karsh reported that the President's Commission on School Finance basically proposed that states elect the inclusion of cost differentials based on student's educational need and eventual replacement of local tax support by Federal incentive grants which would assist states in phasing into "full state funding."[9]

Weintraub proposed four philosophical premises on education's responsibility to exceptional children which were: (1) that all handicapped children are entitled to a free education, (2) that all handicapped children are entitled to an educational program appropriate to their needs, (3) that education is a state responsibility, and (4) that the major policy determination of how resources will be raised and allocated for the purposes of providing free appropriate public education for the handicapped lies with state government.[10] Subsequent to these premises, seven major policy principles relating to the finance of special education which were patterned after policy statements adopted by CEC at its 1971 convention were outlined as:

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[6] Abeson, op. cit.

[7] Council for Exceptional Children, op. cit.

[8] Kakalik, J.S., et al, Services for Handicapped Youth; A Program Overview Rand Corp., Pursuant to R-1220-HEW, May 1973.

[9] Karsh, N., The President's Commission on Finance, Compact, 1972, 6 (2), 3-6.

1) The state should assume all excess costs for the education of handicapped children.
2) Local school districts should provide toward the education of handicapped children a sum equal to that which is provided to all children.
3) That excess costs should be provided in a very broad manner.
4) School districts should be required to develop a plan of how they intend to educate exceptional children.
5) While educational resources are limited and as long as handicapped children are competing with other children for the resources necessary to obtain an education it is imperative that funds be earmarked in budgets so that public visibility can be maintained.
6) There must be penalties for failure to comply.
7) We should be careful to guarantee that special education programs do in fact serve exceptional children and not reward inappropriate behavior.[11]

In relation to the federal government's role, Weintraub proposed that:

> the federal government assume at least 50 percent of the excess cost of educating handicapped children. Let me point out that this is a purely fiscal support role. The federal government would in fact, be reimbursing the states at least 50 percent of the excess costs of handicapped children, but not assuming in any way the states' responsibility to assure that such children receive an appropriate education.[12]

He did, however, stipulate certain basic criteria:

1) a date by which all states would be required to provide full education opportunities for all handicapped children or not be entitled to any federal assistance under the above proposed act,

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[10] Weintraub, F., "Special Education Finance - Premises, Policies, Roles", Administrative Leadership, U. of Minn., Vol VIII, No. 1, Fall, 1972.

[11] Ibid.

[12] Ibid.

2) that children and their parents be guaranteed all due process procedures in the area of identification and placement,

3) that using the child benefit concept such reimbursement includes children in private schools when such schools are utilized as a matter of public policy,

4) that the state guarantee an equitable distribution of its funds among all school districts,

5) that funds be used to supplement, but not supplant present state efforts,

6) that states establish a plan which sets forth criteria for programs with built-in review ,

7) that the renovation of facilities to eliminate architectural barriers would be justifiable excess cost for federal support: however, general school construction would not be.[13]

Senator Williams, Democrat, New Jersey, introduced S.B. 3614 "Education for all Handicapped Children Act" (1972) in the second session of the 92nd Congress. If approved, the bill would have provided to each State:

> ...an amount which is equal to the amount by which the per pupil expenditure for handicapped children, aged three to twenty-one years, inclusive, exceeds the per pupil expenditure for all other children, aged five to seventeen years, inclusive, in the public elementary and secondary schools...[14]

This bill was referred to the Committee on Labor and Public Welfare of which Senator Williams is Chairman. The bill was introduced in the 93rd Congress on January 4, 1973, as Senate Bill 6.

Congressman John Brademas a Democrat, Indiana, introduced H.R. 70 entitled "Education for Handicapped Children Act" (1973) in the first session of the 93rd Congress which proposes that the Federal government pay to states a flat grant of $600 per handicapped child plus 75 percent of the excess costs of an exceptional child program beyond the $600 per pupil. Representative Brademas is Chairman of the Select Education Subcommittee.

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[13] Ibid.,pp. 11-12.

[14] U.S. Congress, Senate, Senator Williams Speaking on an Amendment to the Elementary and Secondary Education Act, S. 1539, 93rd Congress, 1st Session, May 20, 1974 - Congressional Record, 8438 (b), pp. 5-6.

One of the major differences in S.6 and H.R. 70 is that S.6 requires an individualized written plan for the child developed and agreed upon by the local education agency, parents, and the child when appropriate. No comparable stipulation is in H.R. 70. In addition, S.6 would provide for education, training, and related services at public expense. Also S.6 stipulates that to the extent possible, handicapped children would be educated with regular students. Due process to parents would be insured in S.6. No comparable provisions are included in H.R. 70.

Dewitt reported on the estimated amount each state would receive if the Williams's S.6 is passed.[15] Seventy-five percent of the excess cost of serving handicapped children for the state of Virginia would be approximately $22.7 million, for West Virginia $6.9 million, for North Carolina $30.1 million, for Florida $55.2 million, and for Alabama $7.9 million. Senator Williams stated:

> It is hard to argue to the states that the federal government is serious about full educational opportunity when we are not willing to invest funds to make this goal a reality.[16]

The United States Office of Education has established a national goal which encourages "full educational opportunity for every handicapped child in the Nation by 1980." Abeson and Weintraub reported the goal as urged by Sidney P. Marland, Jr., U.S. Commissioner of Education as:

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[15] DeWitt, K. "Education Report/Handicapped School Children Enmeshed in Debate on Federal Role in Education", National Journal, (2/10/73).

[16] Ibid.

> *The right of a handicapped child to the special education he needs is as basic to him as is the right of any other young citizen to an appropriate education in the public schools. It is unjust for our society to provide handicapped children with anything less than the full and equal educational opportunity they need to reach their maximum potential and attain rewarding, satisfying lives.*
>
> *The authors further indicated that there are an estimated six million school-age and one million pre-school age children who are handicapped. Only 40 percent of these children receive any special education at all. As many as half of them, the Bureau of Education for the Handicapped estimates, could develop in regular educational classrooms if they had the support of part-time special education services.*[17]

Thomas outlined the dual dilemma of providing financial resources for exceptional children, specifically that of "adequacy" and that of "equity:"

> *An insufficient amount of money is available judging from the fact that 60 percent of the handicapped children in the United States remain unserved; and what dollars do exist are raised and distributed unjustly. . . .*[18]

Federal Legislation

Title VI, Part B, cited as the "Education of the Handicapped Amendments of 1974" and contained in P.L. 93-380 E.S.E.A. (U.S. Congress, 1973) will provide, if funded as requested, the following:

Sec. 613 (c)	*Advisory Committee*	*$ 200,000.*
Sec. 614 (a)	*State Entitlements*	
Sec. 612		*100,000,000.*
Sec. 615 (a)	*State Plan*	*300,000.*
	(Centers and Services)	
Sec. 621	*Authorization of Appropriations*	*12,500,000.*
Sec. 622	*Authorization of Appropriations*	*15,000,000.*

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[17] *Abeson, A. and Weintraub, F., "State Law for the Handicapped - Essential Ingredients," Compact, August, 1971.*

[18] *Thomas, M., "Finance: Without Which There is No Special Education," Exceptional Children, Vol. 39, March, 1973.*

Sec. 623	Authorization of Appropriations	25,500,000.
Sec. 625	Authorization of Appropriations	1,000,000.
	(Personnel Training)	
Sec. 636	Authorization of Appropriations	45,000,000.
Sec. 633	Authorization of Appropriations	500,000.
	(Research)	
Sec. 644	Authorization of Appropriations	15,000,000.
	(Instructional Media)	
Sec. 654	Authorization of Appropriations	18,000,000.
	(Spec. L.D.)	
Sec. 621	Authorization of Appropriations	10,000,000.

These figures combined with the Williams Bill, S.6 (U.S. Congress, Senate, 1973) compile a significant amount of funds which could be made available to states.

Federal and State Expenditures for Education of the Handicapped

According to Kakalik, the total Federal and state expenditures for handicapped children during fiscal year 1972 was $2.7 billion. The state and local share was $2.4 billion, while the Federal expenditure was approximately $314.9 million. The mean expenditure per handicapped child was $879 with a range extending from $197 for speech impaired to $4,767 for deaf children. A total of 3,046,000 children were served during this period.[19]

Of the $314.9 million in Federal funds expended for the handicapped during F.Y. 1972 by function, 44.2 percent was spent on stimulation activities, 17.9 percent on basic service support, 17.8 percent to internalize externalities, 11.1 percent on economy of scale, and 9 percent in the category of redistribution of resources. In terms of programs, the $314.9 million was allocated in the following manner: $246 million to education, $58 million to instructional support, and $11 million to research.[20]

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[19] Kakalik, J. S., et. al., Services For Handicapped Youth: A Program Overview, Rand Corp., Santa Monica, California, Pursuant to R-1220-HEW, May, 1973.

During F.Y. 73, state and local expenditures, number of handicapped children receiving service, estimated percent of handicapped served by special education programs, and estimated average expenditure per handicapped student served for Virginia has been organized in Table 1. Data for the nation is shown in Table 2.

The State of Virginia expended a total of $47.8 million on handicapped children in F.Y. 1973, West Virginia $4.8 million, South Carolina $13.7 million, Alabama $12 million, and New York $403.7 million. During F.Y. 1973, Virginia served 47,524 handicapped children, West Virginia 16,180, South Carolina 53,550, Alabama 38,420, and California served 313,900. Nationally, 59 percent of all exceptional children were served in 1972-73. Virginia served 40 percent, West Virginia served 37 percent, South Carolina served 75 percent, Alabama served 31 percent, and Texas served 98 percent. The average estimated expenditure per handicapped student served in 1972-73 for Virginia was $1,005, for West Virginia $299, for South Carolina $256, for Alabama $425, and for Alaska $2,463.[21]

Stultz projected cost data to 1980 for areas of education by programs.[22] Utilizing a 62 percent inflation factor, there will be a need for approximately an additional $4.6 billion to fund exceptional child education programs above the $2.7 billion spent currently. Such significant increases would warrant increased Federal assistance to exceptional child programs.

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[20] Kakalik, *op. cit.*

[21] *Ibid.*

[22] Stultz, James, *Incidence of Educational Needs and Cost of Meeting These Needs in the United States in 1980*, University of Florida, 1974.

Table 1

EXCEPTIONAL CHILD DATA FOR THE STATE OF VIRGINIA, FY 73[a]

Category of Child	Number of Handicapped Recieving Service	Estimated Percent Served	Estimated Average Expenditure Per Student	Estimated SDE and LEA Expenditures ($ thousand)
Other Health Impaired	4,497	--- [c]	260	1,170
Learning Disabled	2,500	20.88	400	1,000
Crippled	1,092	93.37	775	846
Emotionally Disturbed	1,485	6.20	1,718	2,551
Visually Impaired	0	0.00	0	0
Speech Impaired	17,775	42.42	133	2,370
Deaf	0	0.00	0	0
Hard of Hearing	16,485	69.57	1,718	28,939
Mentally Retarded Trainable/Educable	2,310[b]	---	1,718	3,968
TOTAL	47,5[illegible]4	39.80		47,750

(a) These statistics were compiled from Description of Projected Activities for Fiscal Year 1973 for the Education of the Handicapped, an annual report submitted to the Bureau of Education for the Handicapped by the fifty states under EHA-B.

(b) EMR and TMR combined under Mentally Retarded.

(c) Crippled and other health impaired combined under crippled.

Source: Kakalik, J. S., et. al., Services for Handicapped Youth: A Program Overview, California: Rand Corporation, Pursuant to R-1220-HEW (May, 1973).

Table 2

EXCEPTIONAL CHILD DATA FOR THE NATION, FY 73
Descriptive Data

Category of Exceptionality	SDE and LEA Expenditures (in thousands) Amount	%	Number of Handicapped Children Serviced Number	%	Percent Served	Average Expenditure
Trainable MR	260,000	11.0	148,000	4.5	[a]	1,757
Educable MR	840,000	35.0	752,000	24.9	80.45[a]	1,045
Hard of Hearing	55,000	2.0	55,000	1.8	21.38	936
Deaf	91,000	4.0	28,000	1.0	71.61	3,067
Speech Impaired	251,000	11.0	1,383,000	45.4	76.66	170
Visually Impaired	66,000	3.0	28,000	0.9	54.76	2,186
Emotionally Disturbed	258,000	11.0	199,000	6.5	19.27	1,214
Crippled	210,000	8.0	128,000	4.2	86.65	1,530
Learning Disabled	250,000	11.0	230,000	7.5	44.65	1,015
Other Health Impaired	84,000	4.0	95,000	3.2	[b]	822
Total ALL H.C.	2,364,000	100.0	3,046,000	100.0	59.23	
Average ALL H.C.						776

(a) TMR and EMR combined.
(b) Crippled and other Health Impaired combined.

Source: Kakalik, J. S., et. al., Services for Handicapped Youth: A Program Overview, California: Rand Corporation, Pursuant to R-1220-HEW (May, 1973).

Nonpublic School Provisions for Education of the Handicapped

The expansion of state provisions for handicapped children via nonpublic schools has been characterized by Collings as a "significant movement." Data analysis suggested at least seven out of every ten education agencies have some form of nonpublic school provisions.[23] Collings compiled data demonstrating the provisions for exceptional children though nonpublic school settings, dates of first enactments, percentage of state education budget allocated to nonpublic schools, agencies responsible for eligibility determination, categories served, allocation patterns, student populations eligible, regulations, and program funding information.

The major findings are summarized as follows:

1. The development of nonpublic school provisions is a significant movement in the education of handicapped children and youth.
2. No conclusion could be drawn from the data in regard to the socio-economic status of the families of tuition grant recipients for a nonpublic school education.
3. The proposal that the amount of money being spent on tuition grants to nonpublic schools in some states tends to be a disproportionate percentage of the total state special education budget was supported.
4. There was support for the assumption that many states do have a maximum amount for each tuition grant per handicapped student which is often less than the actual tuition rate for many nonpublic schools.

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[23] Collings, G. D., A Survey of Provisions for Tuitition Grants to Nonpublic Schools For the Education of Handicapped Children and Youth, University of Florida, 1973.

5. The issue of the refusal of local school districts to develop adequate special education programs because of nonpublic school provisions which would allow them to simply and inexpensively discharge their educational responsibilities to handicapped students was not supported.
6. Although the argument that the existence of tuition grants may or may not be used as a means for excluding handicapped children from educational programs was insubstantial, the handicapped student exclusion issue may still be viable.[24]

Cost Indices and Financing of Special Education

Rossmiller, Hale, and Frohreich conducted the NEFP research on educational programs for exceptional children.[25] The sample for the study included a total of twenty-four systems in the five states of California, Florida, New York, Texas, and Wisconsin. States for the sample were selected based on recommendations as representing "best current practice." Cost data were gathered by program and by function for the intellectually gifted, intellectually handicapped, auditorily handicapped, visually handicapped, speech handicapped, physically handicapped, neurological and/or mental disorders, emotionally disturbed, special learning disorders, and multiple handicapped. In early stages of the study, the category of intellectually handicapped was subdivided to an EMR and a TMR classification.

Indirect cost accounting techniques were used in this study for the purpose of cost analysis. To avoid the limitation of "time-bound" data characteristic of program cost differences, Rossmiller, et. al., developed a cost index for each special program:

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[24] Collings, G. D., op. cit., p. 77.

[25] Rossmiller, R. A., Hale, J. A., and Frohreich, L. E., Educational Programs for Exceptional Children: Resource Configurations and Costs. NEFP Special Study No. 2, 1970.

> Unlike a per-pupil expenditure, which tends to be both time-bound and place-bound, a cost index has the advantage of permitting gross comparisons to be made among and between districts, and within a district over time.[26]

In addition to the cost index, a cost differential was established for each category of exceptionality.

Rossmiller did not recommend utilizing his lowest nor highest cost index derived for each category, but rather his median cost index for program and fiscal planning. In the more established programs, the range between lowest and highest cost index usually remained within the range of two or three to one. Close evaluation of the extremely high cost districts revealed that they were in the process of developing a new program, or that they served a very small number of children within a specific exceptionality which ran the program cost index high. Figure 1 shows the cost indices.

A search of Rucker's, Administration of Special Education Dissertations: Completed and In Progress, revealed only two studies related to special education cost indices. Bentley conducted the first dissertation study exploring the basic nature and consistency of cost differentials existing between exceptional child education programs and educational programs for normal students.[27] The sample was comprised of sixteen exemplary systems and involved eight categories of programs for exceptional children.

Eight cost factors were found to contribute significantly to cost indices associated with exceptional child education programs, i.e., Administration,

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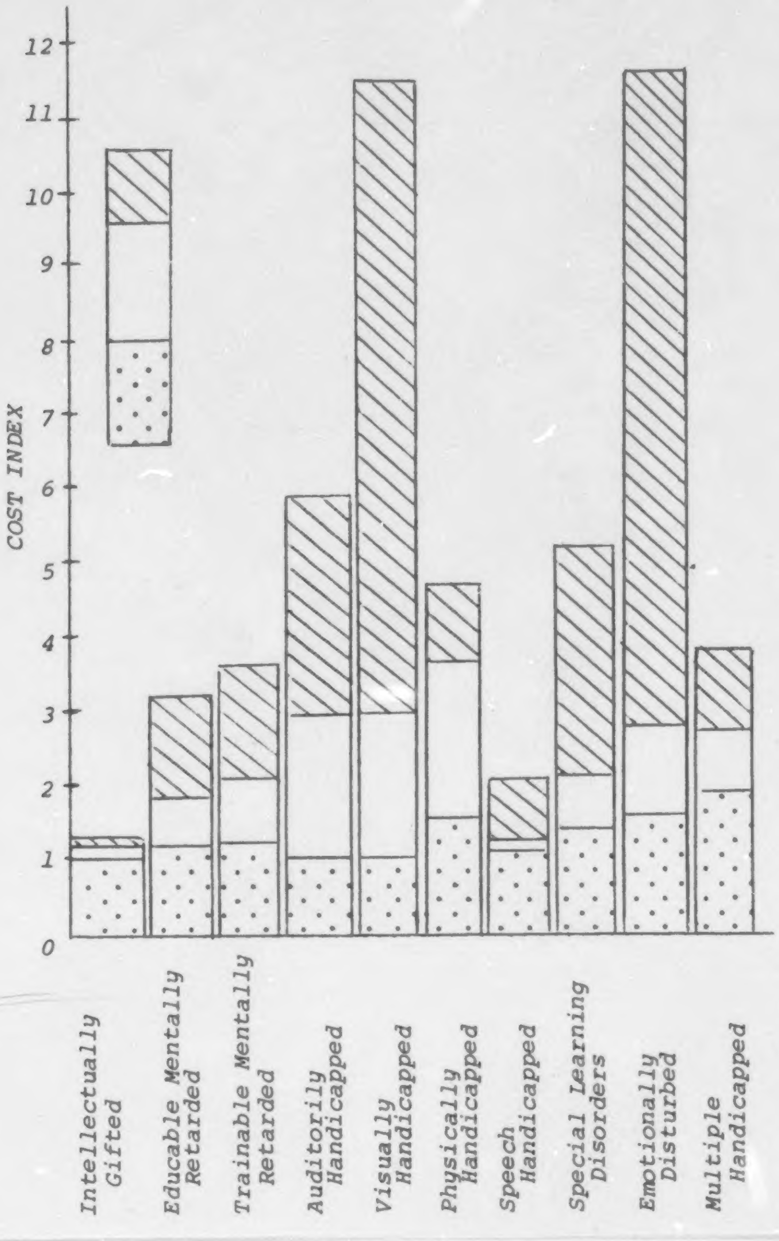
[26] Ibid., p. 115.

[27] Bentley, R. W., An Exploration of Relationships Between Expenditures for Education Programs for Exceptional Children and Expenditures for Regular Educational Programs, University of Wisconsin (Unpublished Ph.D. Dissertation) 1970.

Figure 1

COST INDICES BY PROGRAM FOR SCHOOL DISTRICTS HAVING THE HIGHEST, MEDIAN, AND LOWEST COST INDEX FOR EACH CATEGORY OF EXCEPTIONAL PROGRAM



Source: Rossmiller, R. A., Hale, J. A., and Frohreich, L. E., Educational Programs for Exceptional Children: Resource Configurations and Costs. NEFP Special Study No. 2 (1970).

Fringe Benefits, Instructional Supplies and Equipment, Operation and Maintenance, Supportive Services, Teachers, Teacher Aides, and Transportation. Each cost factor varied dramatically from district to district. Only in programs serving the EMR and TMR were cost indices consistent and stable between districts. Without drawing a firm conclusion, the investigator indicated there was reason to suspect that a relationship existed between the method of state support for exceptional child education and the amount spent per child in special education. The most obvious consistencies in spending by cost factor over special education programs on the criteria of mean per pupil expenditures by cost factor ranked high to low were: (1) teachers, (2) support services, (3) instructional supplies and equipment, (4) operation and maintenance, (5) program administration, (6) fringe benefits, (7) teachers aides, and (8) transportation. Bentley considered only input factors to programs, and not their effectiveness in relation to outputs.

Nash conducted a study investigating the relationship of input factors and rated quality of eighteen special education programs in the State of Wisconsin.[28] Nine programs were identified as exemplary and nine as average in quality by personnel of the Department of Public Instruction. Nash reached the following deductions:

> 1. It was concluded that no relationship existed between rated quality of the special education program and (a) expenditure per pupil for teaching personnel, (b) expenditure per pupil for supplies and equipment and (c) expenditure per pupil for physical facilities.
>
> 2. It was concluded that a statistically significant relationship existed between the rated quality of the program and the number of special education programs provided by the district. Highly rated programs provided more special education programs.

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[28] Nash, J. C., "The Relationship of Input Factors and Rated Quality In Special Education Programs," University of Wisconsin (Unpublished Ph.D. Dissertation), 1971.

3. It was concluded that no relationship existed between rated quality of the special education program and the pupil-teacher ratios in the special education programs provided by the district.

4. It was concluded that a significant relationship existed between the rated quality of the special education program and the mean years of teaching experience of special education teachers in the district. Highly rated districts employed less experienced teachers.

5. It was concluded that a significant relationship existed between the rated quality of the special education program and the mean training of special education teachers in these districts. Highly rated districts employed better trained teachers.

6. It was concluded that the incidence of program characteristics indicated by authorities as desirable in special education was higher in districts rated as providing high quality special education programs than in districts providing average quality programs.

7. It was concluded that a significant relationship existed between the rated quality of the special education program and the size of the administrative unit. Larger school districts were more likely to provide high quality special education.

8. It was concluded that teachers in programs rated as being of high quality do not indicate greater satisfaction in their work than do teachers teaching in programs rated as being of average quality.

9. It was concluded that there are identifiable, nonquantifiable factors--such as the educational philosophy of the director of the special education program, and the extent to which teachers are able to identify with a departmental or other school unit--which are systematically related to the quality rating of the special education program.[29]

McLure conducted the Florida study, Special Study No. 2, NEFP, entitled "Dimensions of Educational Need and Program Cost Differentials."[30] The objective of this study was to measure "needs," not to define or evaluate them. Data utilized in McLure's study were obtained from the Research Division, Florida Department of Education.

Twenty-five districts were incorporated in McLure's study with nine large districts, eight medium, and eight small districts represented. Grade levels were subdivided into grades 1-6 and 7-12 categories. Data were gathered on the following programs: kindergarten, compensatory, basic, exceptional children (full-time and part-time for eleven categories), pre-vocational, vocational (in nine categories), and adult general.

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[29] Ibid., p. 100-101.

[30] McLure, W. P., "Dimensions of Educational Need and Program Cost Differentials," Special Study No. 2, Financing the Public Schools of Florida, NEFP, 1973.

The base or "unit value" for sake of cost comparison was the average cost of elementary program, grades 1-6, since it is the least expensive. Current operating expenses are defined as costs. Certain items were deleted from consideration such as: July and August payrolls, transportation, food service, textbooks, and capital outlay. Data on paraprofessionals were not available except in special programs. A salary of $3,600 was used for paraprofessionals. Four categories of expenditures were prorated among programs: non-salary expenses, teacher's salaries, salaries of professional supportive staff, and teacher aides.

Equal expenses per instructional unit for non-salary expenses were calculated by prorating them among all programs based on the number of teachers. Total district salaries were averaged and the average cost multiplied by the number of personnel prorated over programs.

Data from McLure's study have been restructured in order to show comparative expenditure per pupil for the basic program, and the exceptional child program (full-time and part-time). In addition, program cost indices are presented for the same categories in Table A-4--see Appendix.

McLure states that the measure of need reported in his study reflects what was in 1971-72, not what should have been. Consequently, only a partial rather than the total need has been represented. The unmet need is not as great in special education as it is in compensatory education or vocational education. It is significant that McLure expressed his opinion of using cost differentials as:

> The adoption of a system for computing cost differentials would, in the opinion of the author, represent an improvement in the present methods of cost analysis for state sharing in the cost of the foundation program. Thus, expenditures could be related more precisely to the pupils served, the educational objectives of the school system to meet the variable needs of pupils, and the evaluation of results. Such a system will require initially only moderate change in annual accounting and reporting procedures. The system can be designed with flexibility to accommodate changes in objectives, knowledge, and patterns of instructional programs that may emerge in the future.[31]

Sources of information regarding special education law and/or finance are depicted in Table A-5--see Appendix. Cognizant of the fact that few resources are available for those who wish to learn about development of budgets dealing with exceptional children, Singletary and Collings designed a simulation game on the topic which is available from the University Council for Educational Administrators (UCEA), Columbus, Ohio.[32]

Litigation

The cases cited in the sections dealing with "Right to and Education for Exceptional Children" and "Finance" lay the case law foundation for this paper.

Right to an education for exceptional children

The most notable "landmark" cases relating to right to an education for exceptional children have been Pennsylvania Association for Retarded Children v. Commonwealth of Pennsylvania, (1972), and Mills v. Board of Education of the District of Columbia, (1972). The basic points settled by these and similar cases (Harrison v. State of Michigan, 1972, and Reid v. Board of Education of the City of New York, 1973) are, in part, that defendants admitted that they had a duty (1) to provide plaintiffs with a public school education which is (a) suited to each child's needs or (b) includes tuition grants, and (2) to provide a constitutionally adequate prior hearing and periodic review. Additionally, in the PARC case, plaintiffs argued and won via a Consent Agreement that since the Commonwealth of Pennsylvania has undertaken to provide a free public education for all its children between the ages of six and twenty-one years, it is, therefore, the Commonwealth's obligation to place each mentally retarded child in a free, public program of education and training appropriate to the child's capacity.[33]

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[31] Ibid., p. 162.

[32] Singletary, E. E., and Collings, G. D., "Monroe City: Finance Support Component Module," Produced for the SEASIM Series, UCEA-BEH consortium, 1973.

In Mills, it was adjudged, in part, that "no child eligible for a publicly supported education shall be excluded from a regular public school assignment" unless such child is provided "adequate alternative educational services suited to the child's needs, which may include special education. . ." These two landmark cases very pointedly address the question of educational appropriateness and educational adequacy. As the following educational finance cases will demonstrate, consistent guidelines from the courts are not apparent. Development of objectives which are consistent with funding patterns to provide appropriateness and adequacy of education suited to all children's needs must evolve.

Collings and Singletary have treated litigation concerning the handicapped in detail including the topics of (a) right to an education, (b) testing, placement, and labeling, (c) commitment and treatment procedures, (d) compulsory attendance, and (e) administration.[34]

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[33] 343 F. Supp. 279 (1972).

[34] Collings, G. D., and Singletary, E. E., "Case Law and Education of the Handicapped," The Florida Educational Research and Development Council, Volume 8, Number 3, Summer, 1973.

Kirp, et. al., made some observations in the California Law Review concerning the impact of the type cases presented and indicated a need for further study. The conclusions are:

> *First, change in legal standards, whatever its source, does not ensure altered school behavior. The limitations of judicial policy - making - stemming from, among other factors, a structural inability to shape disputes, control resources, select among policy alternatives, monitor, or readily revise rulings to adjust to altered experience - have been frequently remarked. . .*
>
> *Second, some changes are easier than others to accomplish through legal mandate. . .(Identifying excluded children as opposed to "appropriate" educational placement or when more than one agency's practices are called into question, for example). . .*
>
> *Third, resistance to change does not result from the obduracy of misguided school officials. . .While the status quo is not wholly praiseworthy, it does offer a functional solution to those charged with teaching and administering schools. . .*
>
> *Fourth, studies indicate some of the conditions needed to bring about the ultimate goals of legal change. Clearly, pressure stronger than the mere existence of a legal requirement is necessary. . .*
>
> *Fifth, the impact of law may vary with the nature of the group whose claims are being pressed. . .(Subtleties are ignored by court decisions . . .which treat all children. . .as posing common problems). . .*[35]

Finance

Recent litigation in the area of finance focuses on (1) equal access to wealth, and (2) equal access to educational programs recognizing "educational needs." The plaintiff's approach to "equal access" is an attempt to broaden "equal protection" as provided under the Fourteenth Amendment of the United States Constitution. A common point in each of the cases cited herein is that a state's financing scheme was challenging.

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[35] *Kirp, D. Buss, W., and Kuriloff, P., "Legal Reform of Special Education: Empirical Studies and Procedural Proposals," California Law Review, Vol. 62, 1973.*

Plaintiffs in McInnis v. Shapiro (1969) challenged the constitutionality of the state statutes of Illinois which deal with public school finance.[36] Charging that their Fourteenth Amendment rights to equal protection and due process were violated due to wide variations in expenditures per student from system to system, the plaintiff's rationale was that only a financing plan which distributes funds on the basis of "educational needs" would fulfill their rights. The court pointed out that "educational needs" could not be met through expenses alone, and that no "discoverable and manageable standards" existed which would serve as a test to allow the court to judge when the constitution had been satisfied. In addition:

> there is no constitutional requirement that public school expenditures be made only on the basis of pupils' educational needs without regard to the financial strength of local school districts. Nor does the Constitution establish the rigid guidelines of equal dollar expenditures for each student.[37]

In Burruss v. Wilkerson parents of school children in Bath County, Virginia brought a class action suit questioning the constitutional validity of the state statute (Va. 1968, c. 806, item 564) dealing with financing of public schools.[38] Specifically, it was charged that the Act failed (1) to relate to educational needs of students much less to establish priorities among said needs, or (2) to consider factors to equalize opportunities throughout the state regarding education.

A three-judge District Court held that "the courts have neither the knowledge, the means, nor the power to tailor the public monies to fit the varying needs of these students throughout the State."

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[36] McInnis v. Shapiro, 293 F. Supp. 327 (N.D. Ill., E.D., Nov. 15, 1968); Affirmed Mem. 89 S. Ct. 1197 (March 24, 1969).

[37] Ibid.

[38] Burruss v. Wilkerson, 310 F. Supp. 572 (May 23, 1969) Affirmed Mem., 397 U. S. 44, 90 S.ct. 812 (1970).

Serrano v. Priest was a California class action suit in which plaintiffs cited three causes of action as: (1) substantial disparities exist among public school districts attended by plaintiff children because systems rely primarily on local property taxes as a finance source (2) parents claim they pay a higher tax rate than taxpayers in other districts to procure the same or lesser education for their children, and (3) question has arisen over the constitutionality of the California plan to finance schools under the California Constitution and the Fourteenth Amendment of the U. S. Constitution.

> Justice Sullivan, speaking for the California court declared. . . we have determined that this funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors. Recognizing as we must that the right to an education in our public schools is a fundamental interest which cannot be conditioned on wealth, we can discern no compelling state purpose necessitating the present method of financing. We have concluded, therefore, that such a system connot withstand constitutional challenge and must fall before the equal protection clause (5 Cal. 587).[39]

The U. S. Supreme Court has employed a two-level test for measuring legislative classifications against the equal protection clause.

> . . .In cases involving "suspect classifications" or touching on "fundamental interests," the court has adopted an attitude of active and critical analysis, subjecting the classification to strict scrutiny. . .Under the strict standard applied in such cases the state bears the burden of establishing not only that it has a compelling interest which justifies the law but that the distinctions drawn by the law are necessary to further its purpose (5 Cal. 592).[40]

The California court was convinced that the role of education compelled it being treated as a "fundamental interest" for the following reasons: (1) education is necessary to sustain "free enterprise democracy," (2) education is universally relevant, (3) education continues over a long period of time,

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[39] Serrano v. Priest, 5 Cal. 3d 584, 487, P. 2d 1241 (1971).

[40] Ibid.

(4) education is unequalled in molding society's personality, and (5) education is important enough that the state made it compulsory.[41]

Rodriguez v. San Antonio Independent School District introduced the concept of "fiscal neutrality" which requires that the quality of public education may not be a function of wealth, other than the wealth of the state as a whole.[42] The District Court of Texas found the financing scheme in question unconstitutional and issued the decree that local property taxes could not be the primary source of public school funds. The U. S. Supreme Court reversed this decision in 1973.

Relating Rodriguez to "right to an education" for handicapped children, Casey wrote in the Journal for Exceptional Children that:

> Regarding the suspect class, Rodriguez has laid down criteria for suspectness, each and all of which are characteristic of the handicapped. While Rodriguez made it clear that education in itself is not a fundamental right, it strongly indicated that the opportunity to a minimum level of education may be protected as requisite to meaningful exercise of the right to vote and freedom of speech. Moreover, exclusions even fail to meet the more lenient rational basis test. The Supreme Court's decision has not only failed to weaken efforts on behalf of exceptional children but has actually strengthened their contentions.[43]

Diamond and Reed in the Journal of Law and Education bring to the forefront several reasons why Rodriguez does not settle the issue of the equal protection claim of the mentally retarded to a publicly supported education. Unlike Rodriguez:

1. the exclusion of the retarded from all educational opportunity involves a total deprivation,

2. the exclusion of the retarded from all educational opportunity involves a suspect classification,

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[41] Ibid.

[42] Rodriguez v. San Antonio Independent School District, 337 F. Supp. 280 (W.D. Texas, 1971).

[43] Casey, P. J., "The Supreme Court and the Suspect Class," Journal of Exceptional Children, October, 1973.

3. the exclusion of the retarded from all education may involve a fundamental interest , and

4. the exclusion of the retarded from all education does not involve complex fiscal and educational policy issues.[44]

Diamond writing in the Hastings Law Journal, concludes that:

> The constitutional right to education will be formed by the judicial establishment and enforcement of the right to some education and the procedural due process rights to hearing prior to placement, periodic review, and ascertainable standards tailored to the special circumstances and importance of school classifications.[45]

The Superior Court of the New Jersey Law Division in Robinson v. Cahill indicated that the differing needs of pupils would suggest that different amounts of money be spent on each pupil in the State. In a strong statement, the court remarked that:

> education serves too important a function to leave it also to the mood -- in some cases the low aspirations -- of the taxpayers of a given district, even those whose children attend schools in the district.[46]

The court declared that the New Jersey financing system violated equality requirements of the Constitution by: (1) discriminating against students in systems with low real property wealth, and (2) it discriminates against those who pay taxes through "unequal burdens for a common state purpose." The New Jersey Constitution stipulates that a "thorough and efficient" system of education is to be provided for. With the stipulation that education must be raised to a "thorough" level in all systems where deficiencies exist, the court indicated that the Legislature, the State Board, the Bateman Committee, and educators of the state had defined this goal in commendable terms. Robinson v. Cahill is important in that it recognized both (1) equal access to wealth and (2) provisions for educational needs of students or "differing needs." Perhaps this is the first step in the reversal of the McInnis and Burruss type cases which failed to provide for the plaintiff's "educational needs" due to "non-manageable standards."

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[44] Diamond, P. R. and Reed, J., "Rodriquez and Retarded Children," Journal of Law and Education, Vol. 2, No. 1, p.476-481.

[45] Diamond, P. R., "The Constitutional Right to Education: The Quiet Revolution," The Hastings Law Journal, Vol. 24, 1973, pp. 1127.

[46] Robinson v. Cahill, Superior Court of New Jersey Law Division Hudson County Docket No. L-18704-69, 118 N. J. Super. 223 (1972).

Based on the concept of "equal access to educational programs" as supported in Robinson v. Cahill, Alexander and Jordan in their chapter on "Constitutional Methods of Financing Public Schools" indicate that:

> the contention of the NEFP is that the cost differential approach through either the weighted pupil or weighted instructional unit recognizes the differences in the "educational need" of the pupils among school districts. Through this approach local school districts will have sufficient funds to support broadened educational programs so that the criterion of "equal access to educational programs" may be met.[47]

Therefore, any system, regardless of size, population, or wealth, should ideally provide all children with "equal access" to educational programs commensurate with the child's ability. Equal access can be provided through cost differentials or weighted pupil allocations.

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[47] Alexander and Jordan, "Constitutional Methods of Financing Public Schools," NEFP (1972), p. 26.

APPENDIX FOLLOWS

Table A-1

STATE FUNDING PATTERNS FOR EDUCATION OF HANDICAPPED CHILDREN

State	Unit Funding	Weighted	Percent Reimbursement	Straight Sum Reimburse	Excess Cost	Full State Funding	F.T.E.	Other
Alabama	X							
Alaska	X							
Arizona			X		X			
Arkansas					X			
California	X	X	X					
Colorado			X					
Connecticut			X					
Delaware	X	X						
Dist. of Columbia						X		
Florida							X	
Georgia						X		
Hawaii						X		
Idaho	X							
Illinois	X		X	X				
Indiana		X						
Iowa		X			X			
Kansas							X	X
Kentucky	X		X					
Louisana	X							
Maine					X			
Maryland				X				
Massachusetts					X			
Michigan			X					X
Minnesota			X					
Mississippi	X			X				
Missouri	X	X						
Montana			X					

Table A-1 (Continued)

STATE FUNDING PATTERNS FOR EDUCATION OF HANDICAPPED CHILDREN

State	Unit Funding	Weighted	Percent Reimbursement	Straight Sum Reimburse	Excess Cost	Full State Funding	F.T.E.	Other
Nebraska			X		X			
Nevada	X		X	X				
New Hampshire					X			
New Jersey			X					X
New Mexico	X	X						
New York				X	X			X
North Carolina	X							
North Dakota					X			
Ohio	X							
Oklahoma			X					
Oregon	X				X			
Pennsylvania					X			
Rhode Island			X					
South Carolina	X	X						
South Dakota			X					
Tennessee					X			
Texas	X	X						
Utah	X	X						
Vermont					X			
Virginia			X					
Washington					X			
West Virginia								X
Wisconsin			X					
Wyoming	X	X	X	X				X
SUBTOTALS	19	10	19	6	14	3	2	6

Table A-1 (Continued)

STATE FUNDING PATTERNS FOR EDUCATION OF HANDICAPPED CHILDREN

L. Schedule of allowable costs which can be budgeted for given ANB's at different levels of programs.

Source: Compiled from data supplied in personal communication from Alan Abeson, State and Local Governmental Relations, CEC, December 5, 1974.

Table A-2

STATE LEGISLATION ON THE FINANCE OF SPECIAL EDUCATION

State	Bill/Sponsor	Basic Provisions of the Bill	Status
Finance			
Idaho	SB 1362 Ch. 127 HEW Committee	Provides special services by certified special education teachers and ancillary personnel in approved special education programs. Changes the term "handicapped" to "exceptional." Adds an exceptional child sparsity factor to the foundation education program and provides for payment of approved personnel, i.e., teacher aides, ancillary personnel, program directors and supervisors to be no more than 80 percent of allowable salaries. Also requires reports and the keeping of records.	Enacted-- Signed by the governor 3-28-74. Effective 7-1-74.
Illinois	HB 2744 Representative Pierce, et al.	Would have increased special education reimbursement for children attending private schools or facilities from $2000 to $2500 per student or the amount of payments in excess of the per capita tuition charge (now $600) per student, whichever were less.	Vetoed by the governor 7-26-74.
Kansas	HB 2059 Ways and Means Committee	General Foundation Bill. Section 47A of this act appropriates the sum of $3 million for fiscal year 1975 from the state general fund to the state department of education for the purpose of increasing state categorical aid for special education.	Enacted-- Signed by the governor 4-2-74.
Kansas	SB 649 Senator Meyers	Provides for direct state financial assistance for community mental health centers and for community facilities for the mentally retarded. Under provisions of this act, 85 percent of any appropriated funds would be available for financial assistance to community mental health centers and the remainder, or 15 percent, would be available for financial assistance	Enacted-- Signed by the governor 3-17-74.

Table A-2 (continued)

STATE LEGISLATION ON THE FINANCE OF SPECIAL EDUCATION

State	Bill/Sponsor	Basic Provisions of the Bill	Status
		for community facilities for the mentally retarded. The secretary of social and rehabilitative services is designated to administer state financial assistance.	
Kansas	SB 769 Ways and Means Committee	Appropriates $400,000 from the state general fund for assistance to mental health centers and mental retardation programs as covered under SB 649.	Enacted--Signed by the governor 3-19-74.
Montana	SB 662 Ch. 345 Senator Gilfeather *et al*.	Establishes procedures for fixing special education program budgets within school budgets.	Enacted--Signed by the governor 3-28-74. Effective 7-11-74.
Montana	SB 660 Senator Gilfeather *et al*.	Provides that a school district may count special education students for Average Number Belonging (ANB) purposes when a student is enrolled less than helf time in the regular program and the balance of his time in district special education programs.	Enacted--Signed by the governor 3-28-74. Effective 7-1-74.
Montana	SB 661 Senator Gilfeather *et al*.	Enumerates the allowable costs of special education programs which a school district may count for the purpose of assistance from the foundation program.	Enacted--Signed by the governor 3-28-74. Effective 7-1-74.
New Jersey	SB 123 Senator Fay	Appropriates $1 million for the support of extended workship employment programs for the severely handicapped.	Revenue, Finance and Appropriations Committee.

Table A-2 (continued)

STATE LEGISLATION ON THE FINANCE OF SPECIAL EDUCATION

State	Bill/Sponsor	Basic Provisions of the Bill	Status
New York	S 510 Senator Flynn	Would have increased the stipend for instruction of handicapped children to $4,000 per year and specify that instruction be provided from ages 3 to 21.	Died in Senate Education Committee.
New York	A 9033 S 7733 Assemblyman D'Amato	Apportions aid to school districts having pupils with minimal learning disabilities. Would have provided local school districts with additional funds to provide adequate programs for minimally learning-disabled pupils in their home districts in the normal mainstream of education.	Died in Assembly Education Committee.
Pennsylvania	H 1700 Representative Itkin, *et al.*	Raises the approved cost of tuition and maintenance for socially and emotionally disturbed children from $3,300 to $5,500 per school year.	House Education Committee.
Tennessee	HB 1571 Ch. 790 Representative Tom Jensen et al. Senators Garland and Oehmig	General Appropriations Bill. Most appropriations of state funds for the 1974-75 year are contained in this bill. For special education, the bill contains: (1) an additional $15,033,960 for various education of the handicapped programs; (2) weekend transportation for state special school children ($200,000); (3) West Tennessee Center for the Deaf for diagnostic services ($253,000).	Enacted-- Signed by the governor 4-6-74. Effective 7-1-74.

Source: *Final Report, Special Education in the States, Legislative Progress Report*, Handicapped Children's Education Project, Education Commission of the States, Denver, Colorado, pp. 18-19, September, 1974.

Table A-3

STATE STATUTORY RESPONSIBILITIES FOR THE EDUCATION OF HANDICAPPED CHILDREN

State	Type of Mandation	Date of Passage	Compliance Date	Ages of Eligibility	Categories of Children Not Included in Mandate
Alabama	Full Planning and Programming	1971	1977	6-21	Profoundly Retarded
Alaska	Full Program	1974		From age 3	
Arizona	Selective Planning and Programming	1973	9/1/76	5-21	Emotionally Handicapped
Arkansas	Full Planning and Programming[1]	1973	1979-80	6-21	
California	Selective			6-21[2]	"Educationally Handicapped" (Emotionally Disturbed, Learning Disabled)
Colorado	Full Planning and Programming	1973	7/1/75	5-21	
Connecticut	Full Planning and Programming	1966		4-21[3]	
Delaware	Full Program "Wherever Possible"			4-21	Severely Mentally or Physically Handicapped
Dist. of Columbia	No Statute Court order: Full Program	1972	1972	From age 6	
Florida	Full Program		1973[4]	3-no maximum (13 yrs. guaranteed)	
Georgia	Full Planning and Programming	1968	1975-76	3-20	Profoundly Retarded
Hawaii	Full Program	1949		5-20	
Idaho	Full Program[5]	1972[5]		6-21	
Illinois	Full Program	1965	7/1/69	3-21[6]	
Indiana	Full Planning and Programming	1969	1973	6-18	

Table A-3 (continued)

STATE STATUTORY RESPONSIBILITIES FOR THE EDUCATION OF HANDICAPPED CHILDREN

State	Type of Mandation	Date of Passage	Compliance Date	Ages of Eligibility	Categories of Children Not Included in Mandate
Iowa	Full Program "If Reasonably Possible"	1974		Birth-21	
Kansas	Full Planning and Programming	1974	1979[7]	Developmentally Disabled: Birth-21	
Kentucky	Planning and Programming	1970	1974	[8]	
	Petition (Trainable Mentally Retarded only)	1962		6-21	Other than Trainable Mentally Retarded
Louisiana	Court Order--Orleans Parish only: Selective for Mentally Retarded. Otherwise, Permissive	1973	1973	6-21[9]	Other than Mentally Retarded
Maine	Full Planning and Programming	1973	1975[10]	5-20	
Maryland	Full Planning and Programming	1973	1979[11]	[12]	
Massachusetts	Full Planning and Programming	1972	9/1/74	3-21	
Michigan	Full Planning and Programming	1971	1973-74	Birth-25	
Minnesota	Full Program		7/2/72[13]	5-21	
Mississippi	Permissive				
Missouri	Full Planning and Programming	1973		5-21	
Montana	Full Program[14]	1974	7/1/79	6-21	
Nebraska	Full Planning and Programming	1973	10/1/76[15]	5-18	
Nevada	Full Program	1973		5-18[16]	
New Hampshire	Full Program			Birth-21	
New Jersey	Full Program	1954[17]		5-20	
New Mexico	Full Planning and Programming	1972	1976-77	6-21[18]	

Table A-3 (continued)

STATE STATUTORY RESPONSIBILITIES FOR THE EDUCATION OF HANDICAPPED CHILDREN

State	Type of Mandation	Date of Passage	Compliance Date	Ages of Eligibility	Categories of Children Not Included in Mandate
New York	Court Order: Full Program (N.Y.C. only)	1973	1973	5-21	
	Conditional: 10 or more children who can be grouped homogeneously in same class.			5-21	Profoundly Retarded
North Carolina	Full Planning	1974	[19]	Birth-[20] Adulthood	
North Dakota	Full Planning and Programming	1973	7/1/80[21]	5-21	
Ohio	Selective, by Petition (8 or more crippled or Educable Mentally Retarded Children in district)			From age 5	Other than crippled or Educable Mentally Retarded
	Selective Planning	1972	1973	6-18[22]	Trainable or Profoundly Mentally Retarded
Oklahoma	Full Program	1971	9/1/70	4-21[23]	
Oregon	Full Program	1973		FMR: 6-21 Others: Birth-21	
Pennsylvania	Court Order: Selective (Mentally Retarded Only)	1971-72	9/72	6-21[24]	Other than mentally retarded
	Full Planning and Programming	1956	1956	6-21	
Rhode Island	Full Program		1964[25]	3-21[25]	
South Carolina	Full Planning and Programming	1972	1977	6-21[26]	
South Dakota	Full Program	1972		Birth-21	
Tennessee	Full Planning and Programming	1972	1974-74	4-21	
Texas	Full Program[27]	1969	1976-77[27]	3-21	

Table A-3 (continued)

STATE STATUTORY RESPONSIBILITIES FOR THE EDUCATION OF HANDICAPPED CHILDREN

State	Type of Mandation	Date of Passage	Compliance Date	Ages of Eligibility	Categories of Children Not Included in Mandate
Utah	Full Program	1969		6-18	
Vermont	Full Program[28]	1972		Birth-21	
Virginia	Full Planning	1972	29	2-21	
Washington	Full Program	1971		6-21	
West Virginia	Full Program	1974	1974	5-23	
Wisconsin	Full Planning and Programming	1973	8/74	3-21	
Wyoming	Full Program	1969		6-21	

---

1. Current statute is conditional: 5 or more similarly handicapped children in district. However, a 1973 Attorney General's opinion stated that the law mandating full planning and programming was effective July, 1973. If the state activates a kindergarten program for 5-year-old children, ages of eligibility will be 5-21.
2. 5-21 for deaf, severely hard of hearing.
3. 3-21 for hearing imparied. Lower figure applies to age of child as of January 1 of the school year.
4. 1973 law did not include profoundly retarded: however, a 1974 amendment brought these children under the provisions of the mandatory law. Compliance date for full services to these children is mandated for 1977-78.
5. Earlier (1963) law was mandatory for all handicapped children except Trainable Mentally Retarded.
6. 5-21 for speech defective.
7. "Developmentally Disabled" means retardation, cerebral palsy or epilepsy. For other disabilities, the state board is to determine ages of eligibility as part of the state plan. Compliance date is 7/1/74 for DD programs.
8. Disabilities and ages to be served were to be determined as part of the state plan.
9. Residents over age 21 who were not provided educational services as children must also be given education and training opportunities.
10. In cases of significant hardship the commissioner of education may waive enforcement until 1977.
11. Court order sets deadline in September, 1975.
12. Services must begin as soon as the child can benefit from them, whether or not he is of school age.
13. Date on which Trainable Mentally Retarded were included under the previously existing mandatory law.

Table A-3 (continued)

STATE STATUTORY RESPONSIBILITIES FOR THE EDUCATION OF HANDICAPPED CHILDREN

14. Statute now in effect is selective and conditional: at least 10 Educable Mentally Retarded, 7 Trainable Mentally Retarded, or 10 physically handicapped in school district. Full mandation becomes effective 7/1/79.
15. Acoustically handicapped: 10/1/74.
16. Aurally handicapped and visually handicapped: birth-18.
17. Date of original mandatory law, which has since been amended to include all children.
18. Child must be 6 years old by January 1 of school year.
19. Implementation date to be specified in preliminary state plan to be submitted to 1975 General Assembly.
20. Deaf: to age 18--or to age 21 "if need exists."
21. All children must be served as soon as they are identified as handicapped.
22. 3-18 for deaf, blind.
23. 2-21 for blind, partially blind, deaf, hard of hearing.
24. When programs are provided for pre-school age children, they must also be provided for mentally handicapped children of the same age.
25. For mentally retarded or multiply handicapped. Others, as defined in regulations. Compliance date established by regulations.
26. 4-21 for hearing handicapped.
27. The Texas Educational Agency is operating under the assumption that the law is mandatory, and has requested an opinion from the state Attorney General on this question. Compliance date is as established by state policy if the law does not specify a compliance data.
28. Within the limits of available funds and personnel.
29. 9/1/76 established by regulations.

Definition of the kinds of mandatory legislation used by states:

Full Program Mandate: Such laws require that programs must be provided where children meet the criteria defining the exceptionality.

Planning and Programming Mandate: This form includes required planning prior to required programming.

Planning Mandate: This kind of law mandates only a requirement for planning.

Conditional Mandate: This kind of law requires that certain conditions must be met in or by the local education district before mandation takes effect (thus usually means that a certain number of children with like handicaps must reside in a district before the district is obliged to provide for them).

Table A-3 (continued)

STATE STATUTORY RESPONSIBILITIES FOR THE EDUCATION OF HANDICAPPED CHILDREN

Mandate by Petition: *This kind of law places the burden or responsibility for program development on the community in terms of parents and interested agencies who may petition school districts to provide programs.*

Selective Mandate: *In this case, not all disabilities are treated equally. Education is provided (mandated) for some, but not all categories of disabilities.*

Source: State/Federal Information Clearinghouse, Council for Exceptional Children, August 21, 1974.

Table A-4

PROGRAM COST DIFFERENTIALS INDEX OF EXPENDITURES PER PUPIL 1971-72

Program	Elementary Grades 1-6				High School Grades 7-12			
	Large	Medium	Small	Sample Average	Large	Medium	Small	Sample Average
Kindergarten	1.21	1.21	1.18	1.20	--	--	--	--
Compensatory	1.49	1.60	1.59	1.58	2.00	1.89	1.81	1.88
Basic	1.00	1.00	1.00	1.00	1.25	1.18	1.18	1.21
Exceptional Children:								
Full-Time - Total	2.32	2.39	1.90	2.20	2.02	2.07	2.37	2.12
Speech	--	--	--	--	--	--	2.76	2.76
EMR*	2.54	2.61	2.25	2.47	2.32	1.90	2.53	2.25
TMR**	3.34	4.62	3.32	3.77	2.33	2.55	2.92	2.73
Physically Hand.	4.73	--	--	4.73	2.13	2.01	--	2.11
Homebound	1.36	2.22	1.31	1.57	1.39	2.09	--	1.61
Deaf	4.07	3.22	2.44	3.79	3.16	--	--	3.16
Visually Hand.	4.33	--	--	4.33	3.24	--	--	3.24
Emotionally Disturbed	3.13	6.24	--	3.98	3.92	3.59	--	3.85
Sp. Learning	2.77	1.31	2.12	2.05	2.24	--	--	2.24
Soc. Mal.	--	--	--	--	1.97	2.20	--	2.05
Gifted	--	--	1.73	1.73	--	--	--	--

* Educable Mentally Retarded.
** Trainable Mentally Retarded.

Note: All indexes relate to unit value of 1.00 in Basic Programs, grades 1-6.

Source: McLure, W. P., "Dimensions of Educational Need and Program Cost Differentials," Financing the Public Schools of Florida, Special Study No. 2, NEFP (1973).

Table A-5

SOURCES OF INFORMATION REGARDING SPECIAL EDUCATION LAW AND/OR FINANCE

Newsline

National Center for Law and the Handicapped, Inc.
1235 Eddy Street
South Bend, Indiana 46617
Phone (219) 288-4751

Lawyers' Committee
For Civil Rights Under Law
Suite 520
733 Fifteenth Street, N.W.
Washington, D. C. 20005

State and Governmental Relations
Council for Exceptional Children
1920 Association Drive
Reston, Virginia 22091

Publications Department
The Rand Corporation
1700 Main Street
Santa Monica, California 90406

Chapter 5

FINANCING CAPITAL OUTLAY

David Alexander*

The financing of school construction is extremely broad and complex. This is evidenced by the fact that all fifty states receive financing from local sources. The main local source is the property tax, but there are debt limits on borrowing, requirements for approval of bond issues, and numerous other requirements which are generally unique to each state. Also, 40 of the 50 states provide some form of state assistance. The types of assistance vary from state to state. There are loan programs, grant programs, school building authorities, state guarantees of debt service, and state purchase of local district's school building bonds and/or combinations of the above mentioned programs. Therefore, since the area is so broad and complex this paper will be limited.[1] The purpose of this paper will be to examine briefly a few significant areas as they pertain to financing school construction. These are: (1) historical

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[1] For a comprehensive analysis of financing school facilities in the United States see W. Monfort Barr, Financing Public Elementary and Secondary School Facilities in the United States, National Educational Finance Project Special Study No. 7, Bureau of Surveys and Administrative Studies, School of Education, Indiana University, Bloomington, Indiana (1970).

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aspects, (2) current trends, (3) sources of funding, and (4) problems in financing public school construction.

Historical Aspects

Financing capital outlay was of no great concern in the early years of education. Schools were constructed by volunteers with no thought or consideration for tax rate, bonds, bond referendums, etc.

Barr and Wilkerson report in the National Educational Finance Project Study on school facilities that just one hundred years ago when legislatures started enacting laws to allow the issuance of bonds for public school districts and municipalities they were concerned with primarily three things. These were: (1) protection of the bond purchasers, (2) limitation of the amounts spent on construction, and (3) limitation of the public debt. The state had made some progress to help local districts but not a great deal because this was viewed as a local matter.[2] Although no states had entered into the financing of school construction on a continuing basis before 1900, a few began to foresee the problem of total local financing and entered into the field of capital outlay and debt service. In 1901, Alabama gave aid for rural school buildings while in 1903 Delaware provided state assistance for buildings in black school districts. In 1909, South Carolina provided state assistance on a matching basis for Negro rural school buildings while North Carolina and Virginia were providing state loans to local districts.[3] There was very little progress in this area during the first three decades of this century.

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[2] Barr, et al., op. cit.

[3] Roe L. Johns and Edgar L. Morphet, The Economics of Financing of Education. New Jersey: Prentice-Hall, Inc. (1969), p. 379.

Even in 1941 Gerald D. Weller reported that only twelve states were making provisions for capital outlay and debt service. He said that the states had "crude and inequitable distribution systems in which the principles of equalization are neither recognized nor applied. . . . Some states did loan money to local districts with low interest rates."[4]

Between 1945-1950 there was a great surge in the amount of aid and number of states that contributed to capital outlay and debt service.[5] This was due to numerous reasons: (1) no buildings were built during the depression, therefore, this had made proper housing unavailable for students, (2) population growth,[6] (3) a surplus of money,[7] and (4) the growth of minimum state standards for schools.[8]

State aid for capital outlay and debt service grew from $78 million in 1951[9] to $633 million in 1970.[10] Yet, even after this tremendous increase in state aid it is estimated that 85 percent of all funds in the U. S. for capital outlay and debt service still come from the local government or property tax while only 15 percent from the state.

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[4] Ibid., p. 380.

[5] Barr, et al., op. cit.

[6] Johns, op. cit.

[7] Barr, et al., op. cit., p. 141.

[8] Ibid., p. 25.

[9] Ibid., p. 143.

[10] Ibid., p. 144.

Current Trends

Bond Election Results

The total cost of school construction has in recent years ranged from $5.1 billion to $5.4 billion. Of this amount it is estimated that from between $4.3 billion and $4.6 billion come from local districts. Is it any wonder that we are having a taxpayer's revolt when bond elections for capital outlay increase the property tax? The property tax provides the majority of money raised at the local level for school facilities. Table 1 shows that in 1963 there were 2,048 elections held with 1,482 approved for a 72.4 percent approval rate. Generally, the percent of bond elections approved declined from 1963 to 1972 with the exception of 1965. In 1973 there was a dramatic increase in percent of elections approved. It rose to 56.5 percent. Not only has the percent of bond elections been decreasing, but also the number of issues presented to the people has decreased. In 1973 there were only 1,273 elections held which was a decrease of 775 from the number held during the year 1963. In 1973 only 719 were approved as compared to 1,482 issues approved in 1963.[11] *The majority of money spent on school construction comes from the local government and because of inflation, higher prices, etc., it has been more difficult for local districts to pass bond elections for construction projects. Although there was a significant increase in 1973 in percentage of bond elections passed, it is projected that bond elections will face difficulties in the next few years.*

Although the total number of bond elections approved has decreased from 1963 to 1973 by 63 percent, the par value in 1963 was $1,851 billion compared to the 1973 value of $2.256 billion. Of the reported $4.256

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[11] *Irene A. King, Bond Sales for Public School Purposes 1972-73. National Center for Educational Statistics, Office of Education, U. S. Department of Health, Education and Welfare, Washington, D. C., p. 1.*

Table 1

NUMBER OF PUBLIC ELEMENTARY AND SECONDARY SCHOOL BOND ELECTIONS HELD AND NUMBER AND PERCENT APPROVED: UNITED STATES, FISCAL YEARS 1964-73

Fiscal Year Ending June 30	Number of Elections		Approved (in percent)
	Held	Approved	
1963	2,048	1,482	72.4
1964	2,071	1,501	72.5
1965	2,041	1,525	74.7
1966	1,745	1,265	72.5
1967	1,625	1,082	66.6
1968	1,750	1,183	67.6
1969	1,341	762	56.8
1970	1,216	647	53.2
1971	1,086	507	46.7
1972	1,153	542	47.0
1973	1,273	719	56.5

Source: King, Irene A. Bond Sales For Public School Purposes, 1972-73, National Center for Educational Statistics, Office of Education, Washington, D. C.

Table 2

PAR VALUE OF PUBLIC ELEMENTARY AND SECONDARY SCHOOL BOND ISSUES PROPOSED IN ELECTIONS HELD, PAR VALUE OF THOSE APPROVED, AND THOSE APPROVED AS PERCENT OF PROPOSED: UNITED STATES FISCAL YEARS 1964-73

Fiscal Year Ending June 30	Par Value of Bond Issues (in millions of dollars)		Approved (in percent)
	Proposed	Approved	
1964	$2,672	$1,900	71.1
1965	3,129	2,485	79.4
1966	3,560	2,652	74.5
1967	3,063	2,119	69.2
1968	3,740	2,338	62.5
1969	3,913	1,707	43.6
1970	3,285	1,627	49.5
1971	3,337	1,381	41.4
1972	3,102	1,365	44.0
1973	3,988	2,256	56.6

Source: King, Irene A. Bond Sales for Public School Purposes, 1972-73, National Center for Educational Statistics, Office of Education, Washington, D. C.

billion par value of school bonds approved, seven states--California, Illinois, Michigan, New Jersey, Ohio, Texas and West Virginia--accounted for approximately $1.4 billion or 63.3 percent.

During the period 1963-73 the average issue has increased from $1.29 millions per issue voted on in 1963 to $3.1 millions per issue in 1973. The schools are asking the people on the average to approve larger issues which is due to the increase in costs of each project.[12]

Another important point that should be mentioned concerning bonds is that approximately 78 percent of all capital outlay costs are funded through bond sales which is shown in Table 3.

Construction Cost

The number of classrooms constructed rose from 30,900 in 1949 to 75,000 in 1967[13] then, it dropped dramatically to 37,727 in 1973. During this span of time the average expenditure per classroom rose from $32,815 in 1949 to $78,000 in 1974. In 1974 costs of new secondary classrooms ranged from $140,000 per classroom in Delaware to $26,000 in Arkansas. Inflation has been a major part of the steadily increasing capital expenditures. The Cost of Building Index has increased from 100 in the base year 1957-58 to 191 in 1973-74 as estimated by School Management Magazine. It is interesting to note that the Cost of Materials Index rose from 100 in 1957-58 to 147 in 1973-74 while the Cost of On-Site Labor Index rose from 100 to 256 and the Off-Site Labor Index rose from 100 to 220 during the same period of time.[14] During approximately this same period of time, the interest rates climbed from 3.11 percent in the early 1960's to 4.91 percent in 1973 for all school

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[12] Ibid., p. 2.

[13] Barr, et al., op. cit., p. 241.

[14] School Management Magazine.

Table 3

RELATIONSHIP BETWEEN TOTAL CAPITAL OUTLAY AND BOND SALES 1950-1973 (Amount in Millions)

School Year	Total	Capital Outlay	
		Amount From Bond Sales	Percent of Total
1949-50	$1,014	$ 854	84.2
1951-52	1,563	957	61.2
1953-54	2,200	1,667	75.6
1955-56	2,607	1,804	69.2
1957-58	3,062	2,420	79.1
1959-60	2,823	2,195	77.8
1961-62	2,987	2,568	86.0
1963-64	3,135	2,569	82.0
1965-66	3,755	2,883	76.8
1967-68*	4,300	2,917	67.8
1968-69*	4,700	2,904	61.8
1971-72*	5,055	3,368	66.6
1972-73	5,400	2,904	55.5

* Estimates from the Office of Education

Sources: Barr, W. Monfort, et al. Financing, Public Elementary and Secondary School Facilities in the United States, National Educational Finance Project Special Study No. 7, School of Education, Indiana University, Bloomington, Indiana.

King, Irene A. Bond Sales for Public School Purposes 1972-73, National Center for Educational Statistics, Office of Education, Washington, D. C.

bonds. General obligation bonds had the highest ratings and the lowest interest rates. Non-rated bonds had the next highest interest rate while the revenue bonds had the highest interest rate which averaged 5.15 in 1973. The net interest costs of bonds for school purposes sold by states tended to be lower than those sold by minor government divisions (civil or school).[15] Not only has the cost of construction increased substantially, but also the cost of obtaining the money for the projects has increased. The costs have gone up sharply as reported in Virginia Superintendent's Memo of October, 1974 which showed the average square foot cost in Virginia in 1968-69 was $17.00 while it had risen to almost $28.00 in 1973-74. This represented a 64 percent increase over a period of five years for school facilities.[16]

Population Projections

Although the costs have gone up extensively in the last decade, people ask about the population projections. Since it is projected that the school age population will decrease or at least be stable during the 70's, it would appear that we need fewer classrooms. Therefore, it would seem that school districts will need to build less in each succeeding year of the 70's. Barr and Wilkerson in The National Educational Finance Project Study addressed the problem of declining enrollments and the need for school facilities. It was reported that although the total school age population will remain rather stable in the United States during this decade, there are substantial variations in population projections from state to state ranging from large increases to large decreases in student enrollment

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[15] King, op. cit., p. 3.

[16] State Superintendent of Virginia Memo #7254, October 1, 1974. State Department of Education, Richmond, Virginia.

depending on migration patterns, economic conditions of the area and the fertility rates. The report stated that the school enrollment population would vary considerably from state to state with Virginia having a projected increase in the range of from +.3 percent to +4.7 percent.[17] *Some areas will need more classrooms while others will have a surplus.*

Also, another factor to be considered is the backlog of classrooms. This backlog constitutes the need for adequate housing for school children throughout the country. It was projected in 1968 that 519,000 new classrooms were needed to alleviate the problem of outdated and inadequate housing. This backlog has continued to grow and added to the facilities needed to house new programs, such as, early childhood education. Special education will constitute the need for new facilities throughout the 1970's.

Sources of Funds

The majority of school construction funds come from local government with the exception of Hawaii.[18] *Approximately 40 of the 50 states give some form of state assistance to local school districts for school construction.*[19] *State grants are provided in 25 states while state loans are significant in 14 states. A few states like Virginia have school building authorities, while some have local building authorities, others utilize lease-rental or facilities rented from developers.*[20] *The Federal Government does provide some categorical aid for limited purposes.*

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[17] *Barr, et al., op. cit., p. 60.*

[18] *Ibid, p. 70.*

[19] *Ibid., p. 139.*

[20] *Ibid., p. 139.*

Local Funds

Local revenues are used in all states except Hawaii, which has a total state system. The basic options for local districts are long term indebtedness, pay-as-you-go financing and reserve funds. The property tax is the main source of revenue for these methods. Local funds may be used in various ways to meet construction costs. Examples are: (1) reserve or accumulated funds to meet further needs, (2) bond retirement, (3) repayment of state loans, (4) payment of rental and (5) lease rental and lease purchase.[21]

Morphet and Johns said:

> . . . the tradition of exclusive local responsibility for financing school plant construction is neither sound nor realistic in any state. The wealthy school systems may have ample resources to provide excellent buildings to house all children. The districts of average wealth may be able to provide reasonably satisfactory buildings if they are willing to make a high tax effort. The least wealthy districts, however, will not be able to afford satisfactory buildings unless funds from state and federal sources are provided to assist in meeting the costs.[22]

State Funds

State funds are made available from "appropriations, bond sales, state permanent funds, retirement funds, and land, grazing and mineral rights revenues. . ."[23] As mentioned before, there are numerous methods of developing this state-local partnership for school construction. The most common methods are grants, loans, and school building authorities. It is significant to note that when the state enters this partnership, funds are derived from sources other than the property tax.[24]

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[21] Ibid., p. 71.

[22] Johns, op. cit., p. 379.

[23] Barr, et al., op. cit., p. 7.

[24] Ibid., p. 72.

Federal Source

The federal government is the "junior partner"[25] when it comes to financing school construction. The federal government has provided significant amounts only when federal activity has caused enrollment increases and for unexpected disasters. To the present time, the federal government has not made a concerted effort in the field of school construction.

Problems in Financing Public School Construction

There are two major problems concerning the financing of school facilities. First, a number of states do not provide any state assistance to local districts and a few states only make token efforts, and, second, the federal government has not provided any support for school construction. Although the Federal Constitution does not mention education, legally and historically education has been considered a state function, neither the state nor the federal government has seen fit to shoulder their fair share of school construction costs. The primary responsibility has been placed on the shoulders of the local districts.[26]

Several studies have been done in the area of school facilities. These studies have produced recommendations which can be categorized into three areas. The first is to explore various alternatives so as to avoid the need for additional construction. Some of the possibilities that studies have expressed are: (a) extending the school year with 75 percent of the students in school at all times, (b) merger of smaller districts to utilize the space, (c) computer scheduling--schools have about 64 percent station utilization now which can be increased to 90 percent, (d) remodeling of present facilities if feasible, and (e) rent available space by using abandoned warehouses, factories, etc.

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[25] Ibid., p. 73.

[26] Ibid., p. 719.

A second recommendation is the utilization of proper planning to provide the right facilities at the right time, and in the proper location. A study by Cresap, Paget, and McCormick said:

> The most obvious manifestation of poor facilities planning is insufficient space. . . . Equally prevalent, if less overt, is under-utilization of a school space and overbuilt schools.

An example of the lack of planning is that square feet for elementary plants range from 55 square feet per pupil in California to 120 square feet per pupil in Vermont. For high schools it ranged from 81 square feet per pupil in North Carolina to 150 square feet per pupil in Vermont.

The third recommendation to provide relief from the high cost of schoolhouse construction is the economies of reduction. This phase involves the reduction of cost for each project. The Council on Educational Facility Planners listed several possible economies in planning, design and construction processes. Some of these are: (a) reduce exterior perimeter to a minimum, (b) use multi-story rather than single story construction, (c) when possible, use modules that can be based on a common set of dimensions and repeat the use of these modules, (d) eliminate complicated design problems that are related to visual, audible, or thermal environments, (e) use materials that are manufactured in standard size, thus reducing on-site labor, (f) don't overdesign areas such as structural, mechanical, etc., and (g) use consortia purchasing for equipment where possible.[27]

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[27] W. Monfort Barr and Wilkerson, Innovative Financing of Public School Facilities, The Interstate Printers and Publishers, Inc., Danville, Illinois (1973), pp. 138-146.

Other suggestions of reducing costs for individual projects are advanced site selection, using Critical Path Method (CPM) and "Fast Tracking" which telescopes construction time. These are only a few of numerous suggestions that school administrators should explore when considering the construction of school facilities.[28]

Alternative Programs

Various fiscal models have been developed over the years. These models are "based on the Strayer-Haig theory of uniform local effort, the Updegroff theory of financial incentives for increasing local financial effort and the Morrison theory of total state support. Numerous variants have been proposed by. . ." Barr, Wilkerson, Mort, Fowlkes, Morphet, Johns and others. These models have provided for local and state financing.[29] Barr in the NEFP study suggested the following alternative models.[30]

Program #1

Variable Grants
Computed On
Recognized Project Cost

State and/or Federal grants are used to support local school construction projects; the grants would vary inversely with local taxpaying ability.

Needs Measure. The recognized portion of total projected cost of each specific construction project would be formula-determined on the basis of items related to the number of pupils and/or programs to be housed. The Recognized Project Cost would not exceed the total cost of the project including site, construction contracts, site development, equipment and related items, with the amount being computed on the basis of a uniformly applicable objective formula.

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[28] Barr, et al., op. cit., p. 241.

[29] Ibid.

[30] Ibid. For a thorough discussion of the Operating procedures, Negative features and Possible Adaption, see the NEFP Study Project No. 7, pp. 242-268.

Allocation Method. The amount of the grant would not exceed the total Recognized Project Cost and would be determined by subtracting the proceeds of a uniform local tax effort from the total Recognized Project Cost.

Use of Proceeds. Funds made available through this program would be used only for specific approved construction projects.

Sources of Funds. Funds for the total project would be provided by the grants and by the local school district. The grants would be derived from state and/or Federal sources. The local share would be obtained from current revenues, loans, or building reserves; local funds would be used to finance the remaining portion of the Recognized Project Costs and any additional costs of the approved project.

Program #2

Combination of Grants and Loans
Based Upon
Recognized Project Costs

The essential features of this program include state and/or Federal participation in financing local school construction through a combination of grants and loans.

Needs Measure. The cost of the recognized portion of each specific construction project would be formula-determined on the basis of items related to the number of pupils and/or the educational program to be housed. An objective, uniformly applicable formula which would be utilized by state education agency to determine the elements of the project which would be eligible for funding.

Allocation Method. The grant would not exceed the total Recognized Project Cost; any residual would be loaned to the local district. The amount of the grant would be determined by application of a uniform, objective formula which would apportion funds in inverse relationship to local district fiscal capacity. Thus, wealthy districts could receive larger loans but smaller grants than poorer districts.

Use of Proceeds. Funds allocated through this program would be used only for specific approved construction projects.

Sources of Funds. Funds for the recognized portion of the project would be provided through the state education agency in the form of grants and loans. The computed grant and loan amounts would be derived from Federal and/or state sources. Local funds would be obtained from current revenues, bond issues, or building reserve funds. Local sources would also be sued to finance any additional expenditures beyond those included in the recognized portion of the project.

Program #3

State and/or Federal Loans
for
Recognized Project Costs

This program provides for state and/or Federal loans to support local school construction projects.

Needs Measure. The cost of the recognized portion of each specific construction project would be formula-determined on the basis of items related to the number of pupils and/or programs to be housed. The Recognized Project Cost would not exceed the total cost of the project.

Allocation Method. The amount of the loan would not exceed the Recognized Project Cost (as determined by the state education agency) less any available local cash reserves.

Use of Proceeds. Funds allocated under this program would be used only for specific approved construction projects.

Sources of Funds. The amount of the loan would be derived from state and/or Federal sources. Costs in excess of the amount of the loan would be provided by local districts from current revenues, borrowed funds, building reserves, or other sources.

As a condition for receiving the loan the local school district would agree to make a minimum annual repayment to retire the indebtedness and pay the interest or service charges associated with the loan. The amount of the minimum annual repayment would be formula-determined on the basis of local taxpaying ability and of existing debt; the length of the repayment period would vary inversely with the taxpaying ability of the borrowing school district.

Program #4

Variable Incentive Grant
Computed on
Locally Determined Cost of Project

This program includes state and/or Federal financial participation in local school construction projects with the incentive grant varying inversely with local taxpaying ability; however, the project cost would be the actual cost involved in construction of facilities.

Needs Measure. The project cost would be determined at the local school district level, but planned facilities would have to be compatible with a master plan for the district previously approved by the state education agency.

Allocation Procedures. An objective formula would be used to determine the respective state and local percentage of construction project costs for each school district. The formula would be based on the number of students inadequately housed and fiscal capacity of each district. The respective state and local percentages of construction costs, having been established, would apply to the cost of the entire project.

Use of Proceeds. Funds allocated through this program would be used only for specific approved construction projects.

Sources of Funds. Funds for the project would be provided through the state education agency and by the local school district. The grant would be derived from state and/or Federal sources. The local share would be obtained from current revenues, borrowed funds, or building reserve funds.

Program #5

State and/or Federal Assumption of School Building Costs

Use of state and/or Federal Funds for school facilities may be accomplished by grants in the amount of the total cost of an approved school construction project.

Needs Measure. The total actual cost of an approved school construction project would serve as a measure of need.

Allocation Procedures. Grants from state and/or Federal sources would equal the total cost of approved construction projects. After determination of project costs, state and/or Federal funds would be disbursed to local school districts by the state education agency as construction progresses.

Use of Proceeds. Funds allocated through the program would be used only for approved projects.

Sources of Funds. No local funds would be utilized. Funds for site costs, architectural fees, and engineering services; costs of construction, and all other project costs would be obtained from state and/or Federal sources.

Program #6

Grants and Metropolitan Area Financing for Recognized Project Costs

The essential features of this program include state and/or Federal grants in support of Recognized Project Costs to a group of local school districts in a specific area or region of a state. Grants would be directly proportional to the Recognized Project Costs of the group of districts and would vary inversely with the taxpaying ability of the entire area. Component districts would have tax leeway to supplement the program funds.

Needs Measure. The Recognized Project Cost of specific construction projects within the area or region would be aggregated for the component school districts. This cost would not exceed the sum of the recognized costs of individual projects.

Allocation Method. The variable grant would be determined by subtracting an area share determined by objective formula and varying inversely with the taxpaying ability of the area from the aggregate of the Recognized Project Costs of approved school building projects in the districts comprising the area.

Use of Proceeds. Funds allocated from the state and/or Federal government and from the metropolitan area would only be used for the Recognized Project Costs.

Sources of Funds. The program would be supported by state and/or Federal grants and by revenue receipts, construction reserve funds, and/or funds borrowed by school officials. Supplemental funds could be provided by local officials for costs in excess of the Recognized Project Cost.

Program #7

Variable Grant
Computed on the Basis of a
Pupil or Instructional Unit

This program provides for a variable grant distributed on a pupil unit or instructional unit basis (average daily membership) with funds being derived from state and/or Federal sources.

Needs Measure. A state-recognized annual school plant depreciation amount would be computed by dividing the annual cost of school construction in the state by the number of years of anticipated useful service, thus obtaining a Recognized Depreciation Amount. The base amount of the school construction grant would be obtained by dividing the annual Recognized Depreciation Amount by the rated capacity of the above school construction. Rated capacity would be expressed in average daily membership or in the number of instructional units to be housed in the above projects. The uniform base amount would be expressed as $X per pupil or instructional unit.

Allocation Method. Each school district would be required to exert a uniform local effort which would vary inversely with local taxpaying capacity. The proceeds derived from this local effort would then be deducted from the base amount multiplied by the number of pupil or instructional units to determine the amount of the grant.

Use of Proceeds. Funds allocated through this program would be used for debt retirement, current construction, and renovation or rental of facilities, Any unused balance would be reserved for future construction needs.

Sources of Funds. Funds granted for this program would be provided by the state and/or Federal governments. The local share of this program would be obtained by appropriation, use of reserve construction funds, or borrowing. The amount available through this program could be supplemented by additional local appropriations or borrowing.

Program #8

Equalized Grants
for Recognized
Debt Service Programs

State and/or Federal financial participation is provided to support recognized local school district debt service with the grant varying inversely with local taxpaying ability.

Needs Measure. The recognized portion of debt service for future construction would be formula-determined on the basis of items related to the number of pupils and/or programs to be housed. The Recognized Project Costs would not exceed the total cost of the project including site, construction contracts, site developmen, equipment and related items, with the amount being computed on the basis of a uniformly applicable objective formula. Recognized Debt Service would thus be based on Recognized Project Cost.

Allocation Method. The grant for Recognized Debt Service would be determined by a uniformly applicable state formula and would vary inversely with local taxpaying ability.

Use of Proceeds. Funds distributed through this program would be used only for Recognized Debt Service payments.

Sources of Funds. Funding of the Recognized Debt Service program would be a mutual responsibility of the state, the Federal Government, and the local school district. The grant for Recognized Debt Service would be derived from state and/or Federal sources. Local funds would be obtained from current revenues or building reserve funds.

Chapter 6

State Lotteries and Their Impact on Educational Institutions

Walter S. Griggs, Jr., J.D.*

Mankind has the tendency to want big somethings for little nothings. This expectation of rich gains at the expense of small risks no where better manifests itself than in gambling. Although life can be said to be a gamble, it can also be said that many people feel the need to gamble on something throughout life. Bookmakers have been known to take bets on the existence of flying saucers; a large British betting chain once offered odds "against the existence in Loch Ness of a large creature;" and an American oddsmaker recently quoted a line on the likely duration of a celebrity marriage.[1]

If the premise, that people will gamble, is accepted, it is easy to justify the notion that this obsession should be channeled into constructive outlets which would benefit some worthy purpose while providing an outlet for human nature. One such outlet, which is returning to the United States after an absence of three quarters of a century,

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[1] Easy Money-Report of the Task Force on Legalized Gambling, David Beale and Clifford Goldman (New York: The Twentieth Century Fund, 1974). p. 33.

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*Assistant Professor of Education, Virginia Commonwealth University, Richmond, Virginia.

is the state operated lottery. Thirteen states now operate or will soon institute a state controlled lottery. These lotteries are provided for by state statutes and are administered by agencies of the state governments. A portion of the revenue derived from some of these lotteries goes to the state government to be funneled into educational institutions. This paper will survey the history of lotteries, examine the newly established state controlled lotteries, and evaluate these lotteries as revenue producers for public educational institutions.

By way of definition, a lottery is a scheme for the distribution of prizes or things of value by lot or chance, or a game of hazard in which small sums of money are ventured for the chance of obtaining a larger value in money or other articles.[2] Thus, the following three essential elements must exist in a lottery: (1) consideration, (2) prize, and (3) chance.[3]

No one can be certain when the lottery developed, but it is clear that lotteries are among man's oldest gambling devices. In western society, the lottery began as an entertainment for ancient Romans, was used as a medieval festival diversion, and was adopted by feudal princes and renaissance merchants as a profit-making mechanism.[4] The first recorded lottery to involve the buying of tickets and the distribution of prize money was held in Bruges on February 24, 1466.[5]

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[2] 38 American Jurisprudence 2d, Gambling. P. 5.

[3] Ibid.

[4] David Weinstein and Lillian Deitch, The Impact of Legalized Gambling, (New York: Praeger Publishers, 1974), p. 7.

[5] Alan Wykes, The Complete Illustrated Guide to Gambling, (Garden City: Doubleday, 1964), p. 230.

The popularity of the lottery precluded its containment on the European continent. It soon spread to England. In England, as in Europe, the lottery followed a definite pattern: first, people engaged in raffles; secondly, enterprising individuals operated lotteries; thirdly, the government, in order to curb abuses and to share in the easy money, assumed control of the lotteries by requiring all of them to have royal sanction.[6] Queen Elizabeth I, set the wheels of the first English lottery to pay for harbor repairs. Perhaps Shakespeare had these early English lotteries in mind when he wrote:

> Giddy Fortune's furious fickle wheel,
> That goddess blind,
> That stands upon the rolling
> restless stone.[7]

The English lottery played a role in the founding of English colonies in the New World. The third public license was issued to the Virginia Company in 1612 for a lottery to support its settlement at Jamestown.[8] Although this particular lottery had an early demise, lotteries continued to operate in England until they were abolished in 1826.[9]

Lotteries were exported from Britain to the American colonies and it has been said the history of the United States would not have been the same without this form of gambling.[10] With an English tradition which accepted lotteries as a positive good, and with no laws to temper them the lotteries did aid the colonies. Some of the colonial institutions which reaped the benefits of the lottery wheel were schools and colleges. The lottery probably accelerated the growth of these institutions by providing necessary financial resources in a somewhat painless fashion.

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[6] John Samuel Ezell, Fortune's Merry Wheel, (Cambridge: Harvard University Press, 1960), p. 3.

[7] Shakespeare, King Henry V, III. vi. 28.

[8] Ezell, Fortune's Merry Wheel, p. 7.

[9] Ibid., p. 8.

[10] J. Philip Jones, Gambling Yesterday and Today, (Devon, Great Britain: David and Charles, 1973), p. 139.

For over two hundred and fifty years, lotteries and educational institutions functioned and flourished together. The colonials saw nothing inconsistent about having educational institutions, which were established to train the clergy, funded by proceeds from a gambling operation. On balance, the public preferred lotteries to taxes and the colleges benefited from the natural inclination to gamble. During the British presence in America prior to the Revolution, there were thirteen lotteries which benefited schools including Yale, Princeton, Harvard, and King's College.[11]

In requesting permission for Harvard to hold a lottery from the authorities in London, the Massachusetts governor wrote, "If there is any case wherein a lottery may be said to be lawful and advisable, the providing for the education of youth in the higher path of learning, for which the generality of the people are no way obliged to contribute, is one upon this principle.[12]

When the embattled farmers fired the shot heard round the world at Concord Bridge and opened the American Revolution, the lottery aided the cause by providing revenue for the war effort. The defeat of the British at Yorktown did not destroy the lotteries they introduced. The lottery raised funds during the difficult days of government under the Articles of Confederation and under the new Constitution, which superseded them. With the new Constitution, the lottery entered a period of great utilization because other revenue producing devices had not been developed.

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[11] Ezell, Fortune's Merry Wheel, pp. 53-56.

[12] Ibid., p. 48.

From 1790 to 1860, twenty-three states authorized educational lotteries;[13] and, lottery licenses were issued to about fifty colleges.[14] The success of the lottery, when considered for all causes, can be shown by the fact that by 1830 authorized and unauthorized lotteries were collecting sixty million dollars or five times the entire federal budget.[15]

Harvard College used the lottery during this period. One newspaper advertised:

> Revolutions of the Planets compared--The earth requires twenty-four hours to perform a revolution on its axis--To those who are not in the habit of studying Astronomy, the difference between this motion and that of another planet, must be a subject of interesting speculation. The Planet Harvard College Lottery Wheels turns completely on its axis in about sixteen seconds of time. An interesting Speculation for Adventurers, who wish to be within the orbit of a planet so influential on the affairs of this world. More of these Astronomical Phenomena will be explained at Gilbert & Dean's Observatory, no. 78, State-street.[16]

A Dartmouth College Lottery gave rise to a strange, but not atypical happening, when a New Hampshire man tore down a lottery advertisement saying that the college was not in debt, but that the money was to be put in someone's pocket. Investigation proved that he was a disgruntled undergraduate.[17]

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[13] Ibid., p. 48.

[14] Weinstein, Legalized Gambling, p. 9.

[15] Easy Money, p. 35.

[16] Ezell, Fortune's Merry Wheel, p. 89.

Two Virginia institutions also had some limited involvement with lotteries: William and Mary tried to operate a lottery, but had to postpone it several times because of various problems;[18] and the visitors of the University of Virginia voted to establish a lottery, but it never took place.[19] A real tragedy in the lottery story is that Thomas Jefferson, the Father of the University of Virginia, had to use a lottery of his personal belongings because of his debts, but Jefferson died and the lottery failed. In his plea to the legislature for permission to hold a lottery, Jefferson contended, "If we consider games of chance immoral, then every pursuit of human industry is immoral; for there is not a single one that is not subject to chance, not one wherein you do not risk a loss for the chance of some gain."[20]

From 1790 to 1860, the lottery was a success, but the seeds of destruction were beginning to germinate. Lotteries became big business with an organizational structure which included ticket brokers, lottery contractors, who operated the lotteries, and, ultimately, nationwide lottery companies.[21] These developments changed the character of the lottery and would aid in its demise. The nineteenth century witnessed the beginning of organized attacks on the lottery, the start of lottery scandals, and the effective termination of all lotteries by state and federal legislation. The criticism of lotteries, fostered by the general reform temper of the times, centered on the social and economical effects on the workingman and the poor, and on the frauds which could be found at every level of the operation.[22]

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[17] Ibid., p. 145.

[18] William and Mary College, Quarterly Historical Magazine, 2nd series, v. (1925), 121-124.

[19] Ezell, Fortune's Merry Wheel, p. 155.

[20] Ibid., p. 168.

[21] Weinstein, Legalized Gambling, p. 9.

The war between the States stimulated a renewal of interest in the lotteries. Briefly, the lottery returned as a funding device for the needs of the war. In retrospect, this brief revival was only to accelerate the decline. Congress observed this flurry of lottery activities and started to enact legislation which caused the lottery to fade from the American scene. By 1878, the lotteries were spinning their last wheels. Except for Louisiana, all states prohibited them.

In 1880, scandals involving the Louisiana Lottery Company, created after the Civil War to finance the New Orleans Charity Hospital, caused Congress to prohibit the mailing of all lottery materials; and the federal lottery act of 1895 extended this prohibition to all forms of interstate commerce.[23] By 1894 the legal lottery was dead.

John Samuel Ezell wrote of the end of legal lotteries in 1894 as follows:

> Thus ended the legal saga of the American lottery, a pervasive force for over one hundred and sixty years in the drama of America. It had been used to build one-room schoolhouses and to endow university research; to cross creeks and to span rivers; to blaze trails in the wilderness and to con-

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[22] Ibid., p. 10.

[23] Gambling: A Source of State Revenue. The Council of State Governments, Lexington, Kentucky.

> struct turnpikes between cities; to clear streams for fish and to open rivers for ships; to outfit soldiers for war and to build churches for worship. It was a game that expanded to become a national financial institution; a paradoxical temptress, many times a helpmate, but whose vices too often overshadowed her virtues.[24]

The lottery would not die; and, from time to time, efforts were made to spin the wheels of fortune again. These legislative efforts reminded Americans that lotteries could be revenue producers for good causes if properly policed. The problem was not the lottery, but what people with evil intent did with the lottery. As states found it more difficult to raise revenue and as tax payers became less willing to meet frequent tax increases, the lottery seemed to be an acceptable instrument to fund state projects without increasing the direct tax burden on the citizens. People were going to gamble, so all the state had to do was to offer a clean game, lure the people away from the illegal bookies, and peel off a layer of the proceeds in a sort of painless taxing process.[25]

In the South, the lottery sinned and almost died, but it found new life in the North in a most unusual place. David Weinstein and Lillian Deitch recorded the return of the lottery to the United States as follows:

> In 1963, the nation was startled when supposedly conservative New Hampshire adopted the first legal lottery and the first government operated gambling in this century--the New Hampshire Sweepstakes. As in the earlier heyday of the lottery, the motivation was economic, and lay in the atypical tax structure of New Hampshire. At the time of the passage of the Sweepstakes bill, the state ranked lowest in the nation in the proportion of state revenues contributed to local needs, primarily because of its low level of aid to schools. New

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[24] Ezell, Fortune's Merry Wheel, p. 270.

[25] "Legal Gambling--No Jackpot for States," U.S. News and World Report, (April 1, 1974), 68.

> Hampshire's local governments and schools were almost totally dependent on property taxes, which had been pushed to an oppressive level. Behind this situation was the fact that the state had no sales or income tax, but relied for over 60 percent of its revenue on "sin taxes"--taxes on liquor, horse racing, tobacco, and beer.[26]

Educational costs were on the rise during this time, and New Hampshire's citizens had to subject themselves to a tax hike or accept an alternative form of revenue production. Lotteries were the selected alternatives. Governor King of the Granite State signed the lottery bill and noted, "Constantly increasing demand for school facilities, at a time when our people are already carrying a cross of taxation unequaled in American history, make it our duty to initiate programs which will relieve this heavy burden on the people."[27] To help remove this burden of heavy taxation, the first legal lottery ticket marketed in this century was sold on March 13, 1964 in New Hampshire.

The sale of the first lottery ticket proved to be a shaky first step. Ticket sales and revenue production were not as high as anticipated. Unfortunately, New Hampshire could not draw upon any real experience gathered from other states; consequently, the state made many errors in constructing its lottery. This problem could be considered one of improper marketing: tickets were priced at $3.00; they were sold in only a few locations; the buyers name and address had to be given; and, drawings were infrequent. It was almost as if the lottery was a source of some embarrassment and must be operated discreetly. This was the wrong approach.

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[26] Weinstein, Legalized Gambling, p. 15.

[27] Ibid.

Although New Hampshire brought back the lottery, it was left to New Jersey to make it work and to make it work at a profit. This state marketed its lottery in a different way from that tried in New Hampshire. New Jersey offered a 50¢ ticket, weekly drawings, and no name or address was required on the ticket stub. This was the correct formula for success and to use the vernacular, this approach "turned people on." One writer pictured a New Jersey lottery drawing as follows:

> *The wind, snow, and sleet that lashed New Jersey last week might have turned a St. Bernard to his keg, but it hardly fazed 400 housewives who mushed to a northern Jersey shopping mall for the weekly payoff in the latest and so far most successful of the nation's state-sponsored lotteries.*
>
> *For the price of a 50¢ ticket, Jerserites take chances on weekly prizes of up to $50,000 and a shot at a $1-million jackpot that will be drawn next Wednesday for the first time. For that event, New Jersey lottery officials expect at least 2,000 people to jam Trenton's War Memorial Auditorium, even though the rules do not require winners to be on hand. "The lottery crowd," explains Jack Taylor, who is master of ceremonies at the public drawings, "is already religiously devoted." Taylor's show includes flashing lights, bouncing balls, ringing beels, a whirring computer, and the blare of "I'm Looking Over a Four-Leaf Clover."*[28]

In 1971, before New Jersey had spun its lottery wheel or flashed its lottery computer lights, only New York had followed New Hampshire in establishing a lottery. After New Jersey entered the field and demonstrated how a lottery should function, ten other states established lotteries in rapid succession and adopted the New Jersey marketing techniques. Even New Hampshire and New York altered their lotteries and modeled them after the one in New Jersey.

As 1974 ends, thirteen state lotteries are in operation or planned for operation in the immediate future. The lotteries now functioning give access to lotteries to 40 percent of the population, and projections indicate that by 1976 there will be games in 18 states giving direct access to 56 percent of the United States citizens.[29]

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[28] *"The Lottery Fever is Highly Contageous,"* Business Week, *(March 13, 1971), 45.*

These modern state lotteries can be said to have at least three objectives: to generate revenue, to give the public the chance to be involved with legal, in lieu of illegal gambling, and to provide a source of entertainment.[30] Of these three objectives, revenue production is the primary goal of all of the lotteries. The revenue received by a state, as the result of its lottery, is handled in three different ways depending on the state.

In most cases, lottery funds are mingled with other revenue and become part of the general fund of the state. A second method of handling lottery funds is to establish a lottery for a purpose other than education. A third pattern of lottery development provides that the lottery revenue be used for educational causes. Although other divisions could be used to demonstrate the uses to which lottery revenue is put, this one provides the best opportunity to view the impact of lotteries on education.

The first group of state lotteries all allocate their lottery profits to the general fund of the state. Out of this fund, appropriations are made to higher education.

Connecticut inaugurated its "$100,000 Lottery" in 1972. Like most states, Connecticut provided by statute that all proceeds from the lottery must be placed in the general fund. Obviously, it is difficult to determine any direct effect of the Connecticut lottery on its educational institutions. However, this state allocated 31.5 percent of its monies for education and the lottery has generated $44.15 million to the general fund from February 24, 1972 to November 19, 1974.[31]

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[29] Ben Vorhies, "A Lottery for Virginia," (mimeographed paper supplied by the Virginia Division fo State Planning and Community Affairs, n.d.), p. 1.

[30] Ibid., p. 2.

Delaware, the first state to join the union, is the latest state to develop a lottery. The projected starting date is March, 1975.[32] Like Connecticut, Delaware will place its lottery revenue into the general fund.

Illinois and Maine are recent lottery states. These states place lottery revenue into the general fund, and it is estimated that the net revenue for the first five months of the operation of the Illinois lottery will be approximately $22 million,[33] and the Maine lottery revenue will be near $2 million for 1974.[34] Certainly, this infusion of revenue will be of positive benefit to the states' educational institutions.

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[31] Letter from John F. Winchester, Executive Director, Lottery Division, State of Connecticut Commission on Special Revenue, November 19, 1974.

[32] Letter from Katherine M. Palmer, Executive Secretary, State Lottery Office, State of Delaware, November 14, 1974.

[33] Letter from Ralph F. Batch, Superintendent, Division of State Lottery, State of Illinois, December 23, 1974.

[34] Letter from Robert M. Beaudoin, Marketing Manager, Maine State Lottery Commission, December 27, 1974.

The state of Maryland established its "Twin Win" lottery in 1973; and, as of December 31, 1973, the state had 3,400 sales agents to sell lottery tickets and 220 Claim Centers to pay lottery winners.[35] Maryland has studied its lottery and learned that food stores, drug stores, package liquor stores, newsstands, and other similar outlets that handle a variety of small impulse items are the best potentials for the sale of lottery tickets.[36] From May, 1973 to May, 1974, Maryland netted $16 million from her lottery, and the proceeds were placed into the general fund.[37]

The first midwestern state to legalize gambling, and thereby initiate a lottery, was Michigan. Michigan places lottery profits into the general fund. Two percent of the total general fund revenue comes from the lottery.[38]

Michigan's 1974 Annual Report of the state lottery has a very interesting format. In essence, three questions are asked and answered. These questions and their responses give interesting information on Michigan state lottery. They are as follows:

> WHO SELLS TICKETS?
>
> Nearly 8,000 stores, supermarkets, party stores, restaurants, gas stations, fraternal organizations and other types of outlets sell Michigan lottery tickets. The average agent sells about 700 tickets each week, with some selling only a few hundred (generally in rural areas) and some selling several thousand (in highly populated areas or near state border).

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[35] The Maryland State Lottery Commission, Annual Report 1973, pp. 6-8.

[36] Ibid., p. 6.

[37] Letter from Stanley S. Fine, Director, Maryland State Lottery Agency, November 15, 1974.

[38] Bureau of Michigan State Lottery, Annual Report 1974, p. 14.

WHO BUYS TICKETS?

> Our average customer is a 45-year old factory worker (or office worker) who lives in suburban Macomb County. His wife, who probably works at least part time, is the mother of three children aged from 8-18. Each buys approximately two tickets each week. He gets his at the neighborhood bar or drug store. She buys hers at the grocery store each week. Their average annual income is between $15,000 and $25,000.

WHO WINS?

> Winning in the Michigan Lottery is, more than anything else, a factor of ticket sales. Geographic areas where sales are brisk tend to have more winners. Areas where ticket sales are slow have fewer winners. But, winnings generally are proportionate to ticket sales, and will become even more directly related to sales as time goes by.[39]

Ohio and Rhode Island are two new lottery states. Both of these states have elected to place lottery revenue into the general fund.

The states considered to this point, place lottery proceeds into their general funds. This is the usual way for a state to handle the profits from its lottery, but this method makes it difficult to evaluate whether the lottery makes a real financial impact on education.

Two states have developed their lotteries in such a fashion that little impact could be anticipated on education. The Massachusetts lottery is unique. Unlike any other state, Massachusetts distributes the lottery profits to its 351 cities and towns on the basis of a formula, and there are no provisions requiring any specific use of the funds by the receiving political subdivisions. Thirty-five million dollars were distributed to the cities and towns at the close of 1973, the first full year of the lottery's operation; but this structure precludes any

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[39] Ibid., pp. 4, 7, 9.

meaningful analysis as to the impact of these funds on educational institutions.

Pennsylvania is another of the states which has no counterpart insofar as the way it formulated its lottery. This state uses lottery profits exclusively to aid its Senior Citizens Program; consequently, it could well be the only state whose lottery has no impact on education. However, the use of lottery funds for this program could well serve to make additional, general fund revenue available to educational institutions by not having to use them for the elderly.

The states which deposit their funds into their general funds, and those states which earmark the funds for purposes other than education are difficult to assess insofar as their lotteries' relationship to funds allocated to education. This problem does not exist in regard to the next three states because they use their lottery profits to aid educational causes.

New Hampshire, as previously stated, led the states back to the lottery as a revenue producer, and developed its lottery specifically to aid education. Proceeds are paid to public school districts and non-public schools on a flat grant per pupil basis. No funds are used for higher education. From 1964 to 1974, $20 million dollars were channeled into education.[40]

This earmarking of funds for education in New Hampshire does not lend itself to unequivocal analysis. There is no way to determine if this approach nets any real increase in educational funding, but there is probable cause to believe that education might have gleaned some benefits. Given the low rate of state contributions to education, earmarking may have done more for education than would an allocation of lottery revenue to the general fund.[41]

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[40] *New Hampshire Sweepstakes, Financial Report, September 24, 1974.*

In 1967, The New York lottery was established after adoption of a constitutional amendment by public referendum and enabling legislation.[42] It was placed before the voters as a mechanism to aid education. The "Nation Magazine," at the time when the lottery was before the voters for approval, criticized the lottery idea as follows:

> On November 8, 1966, New York voters will be asked to approve an amendment to the state constitution which would authorize a state lottery, the proceeds of which shall be applied exclusively "in aid or support of education in this state." One of the oldest dodges in promotion of rackets is to link them to good causes. It will be noted also that this is a blanket authorization, with no indication of how it is to be set up, or the number of drawings, or what safeguards are to be incorporated against the infiltration of criminals. A pig in a poke is being offered to voters in the Empire State.
>
> Lotteries have been outlawed in New York since 1833 and with good reason. The New York Post has published a series of articles on the history; in one of them (October 4) John S. Ezell, author of Fortune's Merry Wheel, pointed out that a study of more than 1,300 legal lotteries in the United States proves that the most careful supervision can not eliminate abuses. Anthony Scaduto notes in the same series that lotteries have been characterized as "a tax on imbeciles" and "a plague invented by depots to silence the people."[43]

By statute, the primary purpose of the New York Lottery is to raise funds for primary, secondary and higher education and scholarships. As of November 14, 1974, the lottery had contributed over $293 million to public education. Placed in another context, New York expends 44 percent of its current fiscal budget of almost $10 billion on education and the lottery will provide 1.2 percent of this budget or about $53 million.[44] In New York, earmarking has probably had little if any effect on education. The effect of the lottery on state revenues and on education seems to be the same as if the returns had been assigned to the general funds.[45]

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[41] Weinstein, Legalized Gambling, p. 77.

[42] Gambling: A Source of State Revenue, p. 8.

[43] "The Search for Santa Claus," The Nation, 203 (October 31, 1966), p. 45.

New Jersey statutes provide that the net lottery receipts shall be used for the support of state institutions and education. For the fiscal years 1971 through 1974, $91.2 million or 41.1 percent of the net lottery receipts were allocated for higher education; however, this represents only 8.5 percent of a total appropriation made by the state for this cause.[46]

The New Jersey Lottery has been a positive aid to that state's institutions of higher education. On January 29, 1973, Governor William T. Cahill stated that the lottery funds had been used to finance 44,000 additional student spaces in state colleges and universities.[47] Governor Cahill has also observed that nearly 25 cents of every 50 cent lottery ticket would be spent for educational and state institution.[48] Without the lottery, costs would have been higher to the taxpayer,[49] and that even those who have not won in the lottery have the satisfaction of knowing that they have helped to provide much needed funds for state aid to education and institutions.[50]

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[44] Letter from Gene A. Chillemi, Special Assistant to the Commissioner of Wagering Systems, New York State Racing and Wagering Board, November 29, 1974.

[45] Weinstein, Legalized Gambling, p. 75.

[46] Letter from Richard C. Leone, State Treasurer, State of New Jersey, November 20, 1974.

[47] The New Jersey State Lottery, Annual Report 1973, p. 9.

[48] Ibid.

[49] The New Jersey State Lottery, Annual Report 1972, p. 8.

Weinstein and Deitch evaluated this earmarking and its impact as follows:

> In New Jersey, therefore, it is possible to pinpoint lottery contributions to education and state institutions. It is not clear as to whether the same areas would have been benefited if these revenues had been assigned to the general fund. However, expenditures for education and institutions amount to over half of the state budget, and a large part of the lottery receipts have funded programs which have been increasing in recent years and are, in some cases, mandated. Since these areas of public need are the most pressing, it seems likely that, even if the lottery revenues were not specifically dedicated to these purposes, most of the same programs would still have been funded.[51]

New Hampshire, New York, and New Jersey all earmark lottery revenue for education, and the latter two states use the funds in part for higher education. Earmarking might result in the addition of new services to the program which might not be provided, or earmarking might simply replace revenue which would have been supplied from the general fund.[52] It is impossible to answer these questions with any degree of assurance. At best, earmarking probably covers the lottery with a mantle of goodness which makes it acceptable to the average citizen. This is important since it fosters voter support and helps to sell tickets. All states which use lottery proceeds for education indicate that fact on lottery brochures.

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[50] Ibid., p. 5.

[51] Weinstein, Legalized Gambling, p. 78.

[52] Ibid., p. 75.

Since it is difficult to be positive about the value of earmarking, and impossible to determine a correlation between lottery funds placed in the general fund of a state and resulting benefit to education, the question as to the impact of the lottery on the revenue of a state must be evaluated. At the very best, lotteries do not generate large sums when compared to the more orthodox revenue sources. Dick Netzer, Dean of New York University's Graduate School of Public Administration, indicated, "You can't expect a lottery to produce vast amounts of money like you get in a broad-based tax like a sales or income tax since lottery income amounts to about the same as a penny or so rise in a cigarette tax."[53]

Data available for seven state lotteries show that their yield ranged from .7 percent to 3.4 percent of total tax revenues in 1973.[54] This amount, per se, would not justify the expense of a lottery, because a slight elevation in any of the broadly based taxes would bring in more revenue. In fact, a state can anticipate only about 35-45 percent of the money paid into a lottery, since prizes and administrative costs are expensive. Lotteries, however, represent "new" money to be poured into the state's coffers. Whereas, the public dislikes tax increases, they accept the lottery as a form of tax which they are glad to pay. The lottery permits smaller tax increases and circumvents public resistance. A Virginia Legislative study contends that in a period of economic uncertainty, citizens can ill afford further tax increases; therefore, a lottery should be operated by the Commonwealth of Virginia.[55]

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[53] "When States Turn to Lotteries to Hold Down Taxes," U.S. News and World Report, 70 (May 24, 1971). p. 37.

[54] Ben Vorhies, "A Lottery for Virginia," p. 3.

[55] State Lottery, House Document No. 22, Commonwealth of Virginia, 1975.

In essence, today a state must get money from many different sources and, increasingly, lotteries are seen as one of these sources even though they raise small amounts of revenue in proportion to the total state budget.

The lottery wheel is spinning again, but not too smoothly. Former Attorney General Saxbe warned the lottery states in September of 1974, that they may be in violation of federal law by using the mails and banks in running lotteries.[56] As 1974 ended, the matter remained unsettled.

At the present time, lotteries are adding revenue to the state in a painless fashion. The impact of the lottery on education is difficult to establish, but with the economic situation which exists today, any legal source of revenue can be seen as a positive good.

The spinning of the lottery wheel by a lottery operator is often accompanied by the saying, "Round and round she goes and where she stops nobody knows." The same can be said of the future of state lotteries. No one knows when lotteries will cease to spread or what real impact they will have on education. This is as it should be because the only certain thing about lotteries is their basic uncertainty for both now and in the future.

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[56] "Chancy Undertakings," Time, 104 (September 23, 1974), 10.

Chapter 7

THE CRISIS IN THE FINANCE OF HIGHER EDUCATION: ADJUSTING TO A DECLINING AND CHANGING CLIENTELE

Robert O. Riggs*

The single most striking aspect of American higher education has been the enormous expansion in enrollment since World War II. Enrollments increased 417 times from 1940 to 1970 as contrasted with a twelve-fold increase in population. Expenditures for higher education have increased at an even more rapid pace. During the last twenty years alone they have risen 472 per cent. From 1963 to 1967 student education expenditures in four-year institutions increased more than twice the rate of per cent increase in GNP. For example, from the 1966 fiscal year to the 1967 fiscal year total student expenditures increased from $6,115,000 to $7,015,000. During the same period the GNP rose 7.1 per cent.[1]

This phenomenal expansion in enrollment can be attributed almost entirely to increases in the college age population and to the steady increase in the percentage of that age group entering college. The United States population aged 18 - 24 increased from 15.8 million in 1950 to 25.6 million in 1970.[2] In 1960 only 23.1 per cent of the country's 18-24 year olds were in college; by 1972 this percentage had increased to 36.2. This latter figure represented nearly 58 per cent of the country's high school graduates entering college.[3]

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[1] M. D. Orwig, Financing Higher Education: Alternatives for the Federal Government, The American College Testing Service, Iowa City, 1971 p. 260.

During the post-World War II period many young people were able to enter college because of the steady increases of family incomes. These increases allowed for additional discretionary expenditures for education, medical care, travel, and the like. Enhanced family ability to pay for higher education was aided by increased support of public higher education as well as substantial increases in publicly supported student aid programs.

During the same period, higher education moved from an elite stage to one of universal access. The public expected their sons and daughters to attend college. Undergraduate education was viewed as the only viable avenue for upward mobility, and the college student was repeatedly assured of the potential for increased earning power which would accrue to the college graduate.

Changing Enrollment Trends

Education was a growth industry; but now projections indicate that enrollments will soon start declining and indeed have already started decreasing on many campuses. The Carnegie Commission has adjusted its original enrollment projections for 1980 to encompass the recent downturn in enrollment rates.

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[2] Southern Regional Education Board, Fact Book on Higher Education in the South, SREB, Atlanta, 1974, p. 8.

[3] Ibid., p. 20.

In its final report (1973) the Commission reduces its earlier projection[4] for 1980 by 1,569,000 with a revised figure of 11,446,000.[5]

To be accurate, total college enrollment is still increasing. Dr. Garland Parker, in his annual summary of college enrollments, reported that fall 1974 enrollment exceeded 10,000,000, which was a 4 per cent increase over the 1973 total of 9,6000,000.[6] These totals, however, obscure the actual trends for many schools. For instance, Parker's survey shows that 34 per cent of the four-year institutions had a decrease in full-time enrollment, 27 per cent had part-time enrollment declines, and 31 per cent had drops in freshman enrollment. Just over 50 per cent of all four-year schools had increases in the same three categories, which contrasts sharply with the enrollment trend of the late 1960's. This seeming contradictory increase in total enrollment while many college enrollments are dropping may be partially explained by the opening of completely new colleges and campuses--especially new two-year community colleges.

Causes of the Declining Enrollment

The factors currently influencing the enrollment decreases can be categorized into three broad areas: institutional conditions, societal conditions, and economic conditions. Included in the first category are the problems of competition for students and institutional goal orientations. As Selden

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[4] Carnegie Commission on Higher Education, New Students and New Places, McGraw-Hill, New York, 1971, p. 4.

[5] Carnegie Commission on Higher Education, Priorities for Action: Final Report of the Carnegie Commission on Higher Education, McGraw-Hill, New York, 1973, p. 100.

[6] "Enrollment Rose 4 Pct. this Fall, Study Indicates," The Chronicle, November 11, 1974, p. 2.

Menefee points out, campus construction in many states is approaching the point of saturation.[7] Classroom and dormitory space available on existing campuses is adequate for, and in some cases exceeds, projected needs. This condition which was fostered by a rapid expansion of campus facilities to meet the post-war population bulge has failed to take into account the steadily declining population growth rate which has been evident since the late fifties. This decline in population growth rate has, of course, reduced the reservoir of prospective college-age youth from which the institutions can draw their students.

This combination of adequate facilities and a falling rate of population growth has fostered a new competitiveness on the part of institutions. These institutions find themselves in a position of seeking to successfully attract students to their campuses and dormitories, thereby balancing their budgets.

To a great extent the goal orientation of an institution affects its success in attracting students. For instance, with the passing of a high rate of population growth the demand for public school teachers has greatly diminished; and, since college to many represents vocational training, teacher-preparation colleges are likely to suffer greater losses in enrollments. Thus, the two institutional factors contributing to the decline of enrollments are (1) increased numbers of institutions bidding for a decreasing number of the traditional college-going population and (2) the slow-to-change institutional goal orientations in relation to the changing market for college graduates.

As an example of the shifting vocational interest among college students, the American College Testing Service reported a 50 per cent decrease, 16 per cent in 1967-68 to 7 per cent in 1973-74, in the percentage of students indicating that they were undecided about their educational majors. For the same period there was a 50 per cent increase in the number of students planning to major in the health field. The number of students planning to major in education declined from 19 per cent to 12 per cent and the number opting for a "business, political, persuasive field" grew from 15 per cent to over 21 per cent.[8]

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[7] Selden Menefee, "Finding New Directions," Change, July, 1974, p. 54.

Societal conditions are also contributing to the decline of enrollments. Not only has the number of traditional college-age youth decreased but also the percentage of high school graduates planning to attend college has declined. Reasons frequently cited for this drop are the abolition of the draft from which college once offered a haven and a general disillusionment with the traditional frame of higher education. As a result of the latter factor, non-degree enrollment is rising on many campuses as degree enrollment declines.[9] Societal pressure for higher learning has not lessened that dramatically. In many instances it has reasserted itself in new, less formal patterns. As an example, many institutions are now offering contract degree programs on the weekend for those students with full time weekday jobs or programs which appeal to the non-degree seeking student.

An additional factor affecting enrollments is the relative decline in the number of minority students attending college. As recently reported by A. W. Astin, minority enrollments peaked in 1972 when nearly 15 per cent of the entering freshmen were from minority groups. The percentage dropped to 13 per cent in 1973.[10]

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[8] "Trends in Choosing Majors," Activity, The American College Testing Program, January, 1975, p. 1.

[9] "Fewer Seniors College-Bound," The Chronicle, November 18, 1974, p. 5.

A third condition influencing the decline in college enrollments is economic in nature. Inflation has pushed the cost of operating colleges up and as a consequence tuition charges have been raised to assist in meeting expenses. In addition, student costs for room, board, laundry, transportation, and associated items have accelerated upward during the past five years. As a consequence, the decision to go to college has become a moot point for an increasing number of young men and women. Inflation has lowered the amount of financial assistance students' families are able to provide to the point that many middle and upper middle income families can no longer suppport their children's college education.

Additionally, there is an increasing willingness on the part of students to forego the prestige of a college degree in order to start a career at an early age. This tendency has been influenced by a reversal of the former trend for college graduates to make more money than non-college graduates. The former trend was based on the premise that the college graduate could find a job. But as recently reported by the Star-News, the Class of 75 faces the worst job prospects in 30 years.[11] This means that many graduates are being forced to take jobs which are not only outside their fields of preparation but also pay less than their education traditionally warranted. As a consequence, many students are entering the trades or technical areas for which relatively little formal training is required. Their positions offer earnings which frequently exceed those of their colleagues who have graduated from college.

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[10] "Minority Enrollments," The Chronicle, November 11, 1974, p. 1.

[11] "Class of '75: Dim, Grim Job Hopes," Star-News, December 17, 1974. p. 8.

Adapting to Meet the Changing Clientele

In former times, colleges and universities adapted their goals to meet the change in employment demands, and many must now readjust their goals and programs in order to survive. The former adjustment was towards higher academic pursuits to fulfill the country's increasing technical and intellectual needs. However, the demand now is for specialized graduates, but not those trained in traditional intellectual patterns. This necessitates changes in subject matter and in pedagogical techniques--changes which are not easily made on tradition-bound campuses.

These influences will contribute to enrollment declines on some campuses while others, such as the community colleges, will continue to flourish. The community colleges by virtue of their flexibility, accessibility, and low cost have taken the lead in readjusting higher education to meet changing conditions. In the following section much of what is proposed is drawn from the success of the community college experience.

Increased and properly aimed recruiting are effective means of increasing enrollment. Thirty-nine per cent of the colleges that experienced an enrollment increase this year "rated stepped-up recruiting as the primary cause of their enrollment gains."[12] In the past most institutions received more than enough applications without recruiting. Now that the competition for students has increased, institutions must effectively publicize the advantages of acquiring a higher education as well as the unique advantages of their institutions. Not only should the traditional 18 - 24 age group be actively sought but other groups as well. Programs should be arranged for working students, retired persons and full-time businessmen and professionals.

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[12] "Enrollments: Up, Down and Hovering," The Chronicle, October 15, 1974, p. 2.

As suggested by Dr. A. R. Krachenberg, the concepts of marketing have great applicability to the college or university seeking to enhance its recruiting program. Krachenberg calls particular attention to the use of the marketing tools of "communication and persuasion, distribution, and pricing."[13]

Selden Menefee has suggested that the use of mass media advertising and direct mail campaigns are two viable approaches to student recruitment.[14] Within the context of his remarks advertisement and direct mailings serve to communicate and perhaps persuade potential students to enroll. The second concept of marketing, that of distribution, relates directly to the scheduling and convenient location of class. Here the community college has been particularly successful in attracting commuting and part-time students into both credit and non-credit programs.

The pricing of higher education is a fundamental consideration in effective recruiting programs. At the same time tuition and associated costs are on the rise, parental support for higher education is being sharply eroded due to inflation. As a consequence, an increasing number of students are forced to seek greater amounts of financial aid. This trend is occurring, however, during a period of stable support for financial aid from federal and state governments and institutional funds. The combination of these two factors--

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[13] A. R. Krachenberg, "Bringing the Concept of Marketing to Higher Education," Journal of Higher Education, May 1972, 375.

[14] Menefee, p. 54.

soaring costs and stable financial aid--indicate that the competitive pricing of higher education will exert an increasingly larger influence on enrollments.

To assist in stabilizing their budgets, colleges should carefully define their goals and purposes. In marketing terminology, product definition and product development should be clarified and enhanced. These considerations suggest that institutions should carefully examine current institutional offerings with a view to the elimination of non-productive or non-essential programs. New programs should be added only in response to existing manpower requirements or to serve a previously unserved clientele. The uncovering of new clienteles and distinct markets will be the starting point of aggressive enrollment stabilization programs.

It is apparent that institutional changes will be necessary to sustain existing enrollment levels. In addition to those approaches previously cited, the following procedural changes may be considered. Retraining faculty in areas of declining student interest in order to equip them for continued employment in growth or stable fields. Offering new academic programs based on the use of existing personnel and physical resources. And finally, the development of a flexible and rational tenure policy to deal with potential enrollment declines.

Conclusion

It is clear from the foregoing that institutions of higher education are immersed in an era of fiscal change and uncertainty. An uncertainty which was fostered by a changing and declining student clientele. In the opinion of the author, those colleges and universities which are able to effectively define their institutional missions and then to curtail all *activities and programs not essential to these purposes will have taken the first step towards fiscal stability. This step coupled with an effective recruitment program will significantly enhance the institution's potential for continued vitality. Those institutions unable or unwilling to embark on this course of action are sure to experience with increasing severity the crisis in the finance of higher education.*

Chapter 8

CRITICAL TRENDS AND ISSUES IN PUBLIC JUNIOR AND COMMUNITY COLLEGE FINANCE

Daniel R. Gerber*

Introduction

Someone once quipped that educational finance is really quite simple; educators at the nation's schools and colleges get all the money they can, and then they simply spend it all. Such a conception of educational finance is oversimplified to be sure, but the observation is accurate nevertheless. Educators at all levels do seek all of the funds that they can get, and the acquisition of funds determines the extent and the nature of the subsequent expenditures. The financial hardship besetting American education today is more the result of problems pertaining to the acquisition of adequate funds rather than the result of the unwise expenditure of those funds. A basic assumption here is that American educators at all levels need to improve and to strengthen their power to acquire funds. Consequently, the focus of this paper will be upon income or revenues rather than expenditures.

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The Data

Let us consider specifically the funding trends and concomitant issues of the public junior and community colleges in the fifty states. The privately controlled junior colleges will be excluded from consideration because less than five percent of all students attending two-year colleges are enrolled in private institutions. In two recent studies of community college finance[1] the various sources of revenue were discussed at length by the writers. In addition, significant trends and issues were pointed out in both studies. However, comparable, long-term data on junior and community college revenues were not presented in either study although such data is available. The current fund revenues of the nation's public junior and community colleges are presented in Table 1 by source for the fiscal years 1959-60 through 1970-71, the last year for which complete data were available. When considering this data, several facts need to be kept in mind. First, the data represent total current fund revenues for the public two-year colleges in the fifty states and not the aggregate United States. Second, the current fund revenues include all receipts and accruals of unrestricted current funds and of restricted and designated current funds expended during a fiscal year. Third, all percentage figures represent percentages of the total current fund revenues (Row #1) for the given fiscal year. And finally, all dollar amounts are reported in current dollars; the amounts have not been adjusted for inflation.

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[1] John Lombardi, Managing Finances in Community Colleges, San Francisco: Jossey-Bass Publishers, 1973. Also note, James L. Wattenbarger and Bob N. Cage, More Money for More Opportunity, San Francisco: Jossey-Bass Publishers, 1974.

Trends and Issues

Several trends in junior and community college finance appear from the data. Some of these trends are controversial, and they raise important questions pertaining to the philosophy and purposes of the public two-year colleges.

One such trend is the gradual increase of student tuition and fees as a percentage of total revenues. Historically, the two-year colleges have been advertised as no tuition or low tuition institutions. The policy of no or low tuition charges at the public two-year colleges have been defended generally on the grounds that the goal of universal access to higher education may be realized more readily through such a policy. If the goal of universal access to higher education is desirable--and most community college officials tend to support this goal--then, it is argued, students will be more likely to enroll in college courses if the cost to the student is kept low. The Carnegie Commission on Higher Education has recommended as a matter of national policy that:

> . . .states should expand their contributions to the financing of community colleges so that the state's share amounts, in general, to one-half or two-thirds of the total state and local financial burden, including operational and capital outlay costs. The Commission opposes the elimination of any local share on the ground that, if local policy-making responsibility is to be meaningful, it should be accompanied by some substantial degree of financial responsibility. In addition, the Commission believes that, in providing its share, the state should ensure that total appropriations for operating expenses are large enough to permit the institution to follow a policy of either no tuition or very low tuition.[2]

In practice, however, no tuition community colleges are largely a thing of the past. Moreover, the charges for tuition and fees are being increased at those institutions where such charges for tuition and fees are levied. This fact is reflected in the data in that an increasing percentage of the current fund revenues comes from student tuition and fees.

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[2] The Carnegie Commission on Higher Education, The Open-Door Colleges: Policies for Community Colleges, The Carnegie Foundation for the Advancement of Teaching (1970), p. 45.

It would be simple to accuse the community college community of abandoning a philosophical principle, but to make such an accusation would be to ignore the realities of institutional finance. Financial difficulties are being experienced at the community colleges as well as elsewhere in the education community, and raising the tuition and fees may be an unattractive solution at an institution dedicated to universal access, but it is both a practical and a feasible solution. At a time when governmental bodies exhibit an increasing reluctance to appropriate additional funds for education, one could well argue that the only substantial source of additional revenues for the public two-year colleges is through increased tuition and fees. The question, then, is not whether or not to increase the tuition and fees, but rather how much can these charges be increased without abandoning the goal of universal access to higher education. Certainly there is no easy answer to the question.

Another trend revealed by the data is the changing nature of governmental support. It will be noticed from Table 1 that the colleges receive about three-fourths of their current fund revenues from local, state, and federal governmental appropriations. This percentage has remained quite stable over the period under consideration. Appropriations from the federal government have risen slightly, but these funds still constitute a small percentage of the total revenues. Far more important as a trend is the decrease in local governmental appropriations as a percentage of the total current fund revenues and the increase of state funding. Historically, the public junior and community colleges were supported by local governments

Table 1

CURRENT FUND REVENUES (IN THOUSANDS OF DOLLARS) OF THE PUBLIC JUNIOR AND COMMUNITY COLLEGES IN THE FIFTY STATES BY SOURCE OF REVENUE AND YEAR.

(Percentages of the Total Revenues May Not Add to 100% Exactly Because of Rounding)

Source of Revenues	Fiscal Year 1959-60	%	Fiscal Year 1961-62	%	Fiscal Year 1963-64	%
Total Current Fund Revenues	224,732	100.0	274,846	100.0	369,231	100.0
Student Tuition and Fees	23,801	10.6	29,725	10.8	41,659	11.3
Governmental Appropriations	167,700	74.6	204,476	74.4	276,357	74.9
Federal	3,067	1.4	3,402	1.2	6,934	1.9
State	65,985	29.4	77,977	28.4	113,727	30.8
Local	98,648	43.9	123,097	44.8	155,696	42.2
Endowment Income	412	.2	441	.2	574	.2
Private Gifts	974	.4	821	.3	1,144	.3
Sponsored Research	NSC		NSC		NSC	
Separately Budgeted Research	NSC		NSC		NSC	
Other Sponsored Programs	NSC		835	.3	843	.2
Recovery of Indirect Costs	NSC		NSC		NSC	
Sales, Services, and Activities of Education Departments	1,370	.6	242	.1	353	.1
Other Sources	1,845	.8	2,220	.8	3,125	.9
Student Aid Grants	1,207	.5	1,525	.6	958	.3
Auxiliary Enterprises	27,422	12.2	34,561	12.6	44,218	12.0
Major Service Programs	NSC		NSC		NSC	

Table 1 (continued)

CURRENT FUND REVENUES (IN THOUSANDS OF DOLLARS) OF THE PUBLIC JUNIOR AND COMMUNITY COLLEGES IN THE FIFTY STATES BY SOURCE OF REVENUE AND YEAR.
(Percentages of the Total Revenues May Not Add to 100% Exactly Because of Rounding)

Fiscal Year 1965-66	%	Fiscal Year 1967-68	%	Fiscal Year 1968-69	%	Fiscal Year 1969-70	%	Fiscal Year 1970-71	%
695,435	100.0	1,464,678	100.0	1,464,678	100.0	1,860,257	100.0	2,266,467	100.0
93,547	13.5	151,689	13.2	193,664	13.2	246,229	13.2	294,754	13.0
507,875	73.0	859,622	74.8	1,089,443	74.4	1,374,673	73.9	1,673,380	73.8
29,735	4.3	40,762	3.6	53,118	3.6	52,172	2.8	76,702	3.4
241,367	34.7	426,766	37.1	552,913	37.8	734,537	39.5	899,448	39.7
236,773	34.1	392,095	34.1	483,411	33.0	587,964	31.6	697,231	30.8
1,136	.2	1,569	.1	1,901	.1	2,529	.1	1,465	.1
2,657	.4	1,229	.1	2,446	.2	1,242	.1	2,215	.1
504	.1	853	.1	729	.1	1,474	.1	1,737	.1
NSC		000	.0	000	.0	139	.0	9	.0
NSC		20,736	1.8	31,717	2.2	50,603	2.7	59,764	2.6
NSC		NSC		724	.1	655	.0	1,178	.1
4,106	.6	3,862	.3	4,576	.3	5,320	.3	7,127	.3
46,483	6.7	15,002	1.3	19,487	1.3	21,660	1.2	30,304	1.3
5,936	.9	15,011	1.3	21,117	1.4	31,550	1.7	49,622	2.2
56,204	8.1	80,183	7.0	97,623	6.7	121,668	6.5	142,581	6.3
NSC		NSC		1,252	.1	2,514	.1	2,329	.1

Source: U. S. Office of Education, Department of Health, Education, and Welfare, Financial Statistics of Institutions of Higher Education, U. S. Government Printing Office, appropriate years.

through property taxes while the states contributed very little support. In fact, legislation was passed in some states prohibiting the use of state funds to support junior and community colleges.

During the years following the Second World War, the enrollments and demands for additional services and programs of study increased considerably at the colleges. Consequently, the financial needs of the colleges could no longer be met adequately by local resources alone, and the two-year college officials turned increasingly to the state for assistance. By the mid 1960's, the states were contributing as much revenue to the colleges as were the local governments. Since that time, the states have assumed even more responsibility for funding the public two-year colleges (nearly 40 percent by 1970-71). Hence, the overall trend has been toward increased state funding.

As a result of the trend toward state funding, persistent questions have been raised about the nature and scope of the public two-year colleges. The public junior and community colleges tend overwhelmingly to be locally controlled institutions designed to serve the educational needs of a given locality. In order to ensure a local orientation and responsiveness, it has been argued that the colleges need to be controlled and funded primarily at the local level. But now the states are contributing the major share of the revenues for junior and community college education, and in states such as Virginia, Minnesota, Massachusetts, Alaska, Florida, Connecticut, and several others, the localities contribute very little or nothing at all to the revenues of the colleges. This state-of-affairs has caused a number of community college people to grow concerned about the future emphasis and loyalties of the colleges. It is pointed out frequently that as the junior and community colleges receive more state funds and become subject to the *bureaucratic structures, the local orientation of the colleges is in danger of being ignored if not lost. And yet, despite these dour warnings, that state money looks good at financially pressed institutions.*

No one has shown conclusively that increased state funding will lead necessarily to a loss in local orientation. One might conclude that the attachment of the community college community to local control and support is more emotional than rational. There is an emotional aspect of the issue to be sure, but the concern represents more than pure emotion. Over the past decade many of the decisions that were made formerly on the nation's campuses have been transfered to state agencies and legislatures for subsequent action or approval. No one can deny that a loss of institutional autonomy, both procedural and substantive, has occurred. The officials of the nation's community colleges have observed this, and their concern is not without reason. State funds are needed and needed badly at the junior and community colleges. The question is: once state funds are accepted, how can the tradition of local responsiveness and orientation be preserved?

One final observation from the data is that the public junior and community colleges receive a negligible percentage of total revenues from endowment income, gifts, research grants, and student aid. This has been the case historically.[3] Furthermore, there is no reason to believe that substantial revenues will come from these sources in the future. This suggests another problem in the finance of public two-year colleges; the sources of revenue at these institutions are not diverse. For better or worse, public junior and community colleges are dependent upon two primary

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[3] Elbert B. Donahue, "The Control and Support of Public Junior Colleges in the United States," unpublished doctoral dissertation, University of Missouri, 1941.

sources or revenues--student tuition and fee charges and governmental appropriations. For the foreseeable future, those at the community colleges will need to live with these restricted sources of income.

Implications for Action

Wattenbarger and Cage[4] state that today there are fewer dollars to be spent per student at the two-year colleges than there were during the 1950's. Those at the junior and community colleges feel that more money is necessary if stated goals are to be achieved. At this time, two approaches that can generate additional revenue are available to the junior and community college community.

First, tuition can be raised modestly. Since tuition charges are low already at the two-year institutions, a modest increase should not be counter-productive. Financial necessity almost demands that tuition charges be increased.

And second, junior and community college educators, as well as educators at all levels, need to become more organized politically if additional funds are to be obtained. It has been noted previously that three-fourths of the current fund revenues at the two-year colleges come from governmental sources. Since the appropriations process is part and parcel of the political process, an organized education community is needed to establish priorities and to obtain the necessary funds to implement the priorities.

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[4] James L. Wattenbarger and Bob N. Cage, op. cit., p. 13.

Chapter 9

VOCATIONAL/SPECIAL EDUCATION AND COST DIFFERENTIALS*

James A. Hale**

Educational program cost accounting, in its' post-Taylor[1] vintage, seems to be directed toward two primary purposes. The first purpose is to control the school district's assets and the reports emanating from those processes may be generally characterized as descriptive data. The second purpose of educational program cost accounting is most often related to decision-making processes and those reports are generally characterized as cost-benefit and/or cost effectiveness analyses. The principle difference between the two purposes is that the former records are an ongoing legal requirement, while the latter records are occasional and are developed only as an esoteric need arises.

Although I find the latter purpose interesting and illuminating, I have not chosen that dimension for this presentation. I have chosen rather, the

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[1] See B. M. Gross, "The Scientific Approach to Administration," in Behavioral Science and Educational Administration, Sixty-Third Yearbook of the National Society for the Study of Education (Chicago: The University of Chicago Press, 1964) p. 34 ff.

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*Exerpt from a presentation made at the Conference, "Critical Issues in Educational Finance," January, 1975.

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former purpose of educational program cost accounting, i.e., developing descriptive data, and I shall present an analysis of the techniques and results of recent studies that demonstrate the differences in educational program costs. I hasten to add, that with just a little more effort, such as that articulated by Roberts and Lichtenberger,[2] our normative cost accounting practices could provide considerably more insight into our operations. The following section presents a discussion of program cost accounting and the identification of vocational and special education program costs.

Program Cost Accounting and Program Structures*

Most school districts use the methods of account contained in the 1957 edition of U.S.O.E.'s Handbook II. That is to say, objects of expenditure are classified as Administration, Instruction, Capital Outlay and so forth. And we are quite aware, the Instruction category represents about 80 percent of the budget, and contains such dubious classifications as salaries of Principals and Assistant Principals as Instructional costs. However, the more recent literature on PPBS, ERMD and other alphabetizations of integrated management systems, all identify the need for a comprehensive program structure if we are to engage in program accounting.[3] The kinds of program structures offered by that literature range from grade level designations to instructional activities. For example, Kent[4] described 48 programs meticulously costed in the Skokie, Illinois, effort toward program accounting. In that effort, an attempt was made to separate the activities of elementary teachers into subject discipline programs and to prorate teacher-time to each of these programs. The accuracy of this procedure as a means of providing qualitative cost data about the teaching process, seems highly questionable as a routine accounting purpose. Evidently Superintendent Gibbs found that to be so, because he reported to the 1969 National School Board Conference at Miami that his district had changed its previously reported program structure. However, the new structure identified 110 programs and one might question the efficacy of such program proliferation.

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[2] C. T. Roberts and A. R. Lichtenberger, Financial Accounting, Educational Records and Reports Series: Handbook II, Revised, D HEW Publication No. (OE) 73-11800, (Washington, D.C., U.S. Government Printing Office, 1973).

[3] For example, see R. F. Alioto and J. A. Jungher, Operational PPBS for Education (N.Y.: Harper and Row, Publishers, 1971) p. 90.

[4] A. E. Kent, "How Skokie Created a Program Budget," Nation's Schools, Vol. 82 (November, 1968) p. 22.

*Some of this material is directly quoted from J. A. Hale, Management Systems for Vocational and Technical Education (Columbus, O.: ERIC Clearinghouse on Vocational and Technical Education, 1971).

The 1967-68 proposed operating budget of the Philadelphia public school district, contained a program structure classifying elementary programs as grade levels and secondary programs as subject areas. Other service programs were designated by a mixed function-task identification. It is interesting to note that the number of programs in the latter category was almost double the number in the instructional categories--suggesting that the program structure development was influenced more by accountants than by educators.[5]

Figure 1 represents a program structure containing 41 programs. The Instructional-General category contains regular instructional programs for elementary and secondary students. Elementary school level instructional programs are designated as Kindergarten, Primary (levels 1-3 for graded classrooms), Intermediate (levels 4-6 for graded classrooms) and Health/Safety/Physical

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[5] D. A. Rappaport, "New Approaches to Public Administration," The Price - Waterhourse Review, (Winter, 1967) p. 22.

FIGURE 1

NORTHEAST DISTRICT
PROGRAM STRUCTURE

INSTRUCTIONAL GENERAL		INSTRUCTIONAL EXCEPTIONAL		INSTRUCTIONAL SUPPLEMENTARY		SUPPORT	
Art	(9200)	Compensatory	(9130)	Art	(9850)	Administrative Planning and Services	(9800)
Business	(9210)	Emotionally Disturbed	(9140)	Co-Curricular Activities	(9860)	Educational Planning and Services	(9810)
Driver Training	(9230)	Homebound/ Hospital	(9150)	Community Services	(9870)	Financial Planning and Services	(9820)
Foreign Language	(9240)	Learning Disabilities	(9160)	Corrective Reading	(9880)	Operations Planning and Services	(9830)
Health/Safety/ Physical Ed.	(9250)	Mentally Handicapped	(9170)	Guidance	(9890)	Personnel Planning and Services	(9220)
Home Economics	(9260)	Physically Handicapped	(9180)	ITV and Radio	(9900)	Plant Planning and Services	(9840)
Industrial Arts	(9270)	Socially Maladjusted	(9190)	Library/A-V	(9910)		
Intermediate	(9280)			Music	(9920)		
Kindergarten	(9290)			Psychological Services	(9930)		
Language Arts	(9300)			Reading	(9940)		
Mathematics	(9310)			Remedial Reading	(9950)		
Music	(9320)			Speech Therapy	(9960)		
Natural Sciences	(9330)						
Primary	(9340)						
Social Sciences	(9350)						
Vocational/ Technical	(9360)						

Education. The remaining programs, and again including Health/Safety/Physical Education are secondary level programs. The second category, Instructional-Exceptional, contains programs exclusively for exceptional children irrespective of their locations. The third category, Instructional-Supplementary, contains programs which supplement the instructional services offered by programs in categories 1 and 2, as well as Community Services. The fourth category, Support Services, contains those programs which support all instructional programs and the support programs themselves.

Because all activities in schools and service centers were categorized to define each of the 41 programs, we need only to identify which programs are operating in each of the locations. Now, let us look at the programs operating at a single location. Figure 2 displays the programs expected to operate at a Junior High School enrolling 1950 students during a particular year.

Now if we were to budget or to cost account the resources directed to that Junior High School, utilizing the objective-of-expenditure designation, most expenses would be classified as Instruction. Figures 3, 4, and 5 present the data generated during that activity. However, had we systematically budgeted or cost accounted each program at the school, utilizing a format similar to Figure 6, then we would have produced a program budget similar to Figure 7.

Consider for a moment what Figure 7 displays that the normative object-of-expenditure classification does not. Administrative, Curriculum and Plant planning and services are separated from instructional costs. Also, programmatic

FIGURE 2

PROGRAM STRUCTURE

Responsibility Center: Kennedy, J F Junior High
Projected Enrollment 1969-70 Total 1,950

INSTRUCTIONAL GENERAL	INSTRUCTIONAL EXCEPTIONAL	INSTRUCTIONAL SUPPLEMENTARY	SUPPORT
Art		Library/A-V	Administrative Planning and Services
Business		Guidance	
Foreign Language		Reading	Educational Planning and Services
Health/Safety/Physical Ed.		Community Services	
Home Economics			Operations Planning and Services
Industrial Arts			
Language Arts			Plant Planning and Services
Mathematics			
Music			
Natural Sciences			
Social Sciences			
Vocational/Technical			

FIGURE 3

1969-70 PROPOSED BUDGET--FORM C

Location: 6301 J. F. Kennedy Junior

ACCOUNT NUMBER	DESCRIPTION	RATE	NO. EMP.	BUDGET AMOUNT[1]
2212.10	Principal	16,999	1	16,999
2212.20	Assistant Principals	14,213	3	42,639
2213.00	Teachers	8,972	73	654,956
2214.10	Librarians	9,982	2	19,964
2214.20	Community School Director	12,135	1	12,135
2214.30	Counselors	11,312	5	61,085
2216.10	Substitute Teachers			15,632
2221.10	11 Month Clerks	5,400	4	21,600
2221.10	12 Month Clerk	7,600	1	7,600
2221.20	Library Clerks	3,700	2	7,400
2221.30	Teacher Aid	3,500	1	3,500
2310.20	Custodians	5,256	6	31,536
2310.20	Maid	3,744	1	3,744

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[1] For all forms and all schools, these figures represent the final amounts after transfers were made between accounts by schools and other transfers to the Sub-District, therefore, Base times Rate will not always equal Budgeted Amount.

FIGURE 4

1969-70 PROPOSED BUDGET--FORM D

Location: 6301 J. F. Kennedy Junior

ACCOUNT NUMBER	BASE	RATE	BUDGET AMOUNT[1]
2241.00	74 Units	3.00	200
2242.00	74 Units	12.00	800
2860.11	74 Units	50.00	3,300
2870.01	74 Units	25.00	1,665
2243.00	1950 Pupil	.50	878
2263.00	1950 Pupil	.40	677
2350.00	1950 Pupil	1.50	2,925
2542.00	1950 Pupil	.10	176
2844.01	1950 Pupil	1.80	2,909
2854.01	1950 Pupil	.75	2,317
2251.00	1950 Pupil	1.90	1,777
2251.00	1950 Pupil PE	.28	546
2251.00	1950 Pupil RL	.40	780
2251.00	Music/School		840
2263.00	Petty Cash		250

FIGURE 5

1969-70 PROPOSED BUDGET--FORM E

Location: 6301 J. F. Kennedy Junior

ACCOUNT NUMBER	SUBJECT	NUMBER PUPILS	RATE	BUDGET AMOUNT[1]
2420.00	Band RP	275	2.50	688
2251.00	Spec. AR	450	1.50	675
2251.00	Ind. Art	700	3.50	2,450
2251.00	General Science	1,250	.75	938
2251.00	Home Economics	450	3.50	1,575
2251.00	Biology	30	1.50	45
2251.00	Foreign Language	465	.50	233
2330.00	Heat			972
2341.00	Telephone			1,634
2342.00	Electricity			6,785
2343.00	Gas			374
2344.00	WSW			2,351
	Total Budget			937,580

FIGURE 6

BUDGET PLANNING DOCUMENT

P P B S

BUDGET PLANNING DOCUMENT NO.____________

PROGRAM: NO.________TITLE_____________

Page___ of ___ Pages
DATE PREPARED:
____
PREPARED BY:
____
COST CENTER NUMBER:
____
TERM:
From_______Thru_____

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	NO. EMP.	BUDGET
2212.10	Salary-Principals	____	____________
2212.20	Salary-Asst. Principals	____	____________
2213.00	Salary-Teachers	____	____________
2214.10	Salary-Librarians	____	____________
2216.10	Salary-Substitute Teacher	____	____________
2221.10	Salary-Clerks	____	____________
2221.12	Salary-Clerks (Sub)	____	____________
2221.20	Salary-Library Clerks	____	____________
2221.30	Salary-Teacher/TV Aides	____	____________
2241.00	Audio Visual Supplies	____	____________
2242.00	Periodicals/Newspapers		____________
2243.00	Other Library Exp.		____________
2251.00	Teaching Supplies		____________
2263.00	Other Exp.-Supplies		____________
2264.00	Other Exp.-Misc.		____________
2310.20	Salary-Oper. Workers	____	____________
2330.00	Heat for Buildings		____________
2341.00	Utilities-Telephone		____________
2342.00	Utilities-Electric		____________
2343.00	Utilities-Gas		____________
2344.00	Utilities-Water/Sewer/WST		____________
2350.00	Supplies-Oper.		____________
2420.00	Contract Serv.-Maint.		____________
2542.00	Other Exp.-Health Serv.		____________
2844.01	New Equip.-Other (LCIF)		____________
2854.01	Replace Equip.-Other (LCIF)		____________
2860.11	Library Books-Exist (LCIF)		____________
2870.01	Audio Visual Over $25 (LCIF)		____________
Program Budget Total:			____________

FIGURE 7

1969-70 PROGRAM BUDGET

John F. Kennedy Junior High School

PROGRAM NUMBER	PROGRAM	BUDGET
9610	Art	$ 19,047
9620	Business	1,929
9640	Foreign Language	20,441
9650	Health/Safety/Physical Education	77,710
9660	Home Economics	27,297
9670	Industrial Arts	35,519
9700	Language Arts	131,233
9710	Mathematics	121,955
9720	Music	25,411
9730	Natural Sciences	94,680
9750	Social Sciences	116,462
9670	Vocational/Technical	9,251
9870	Community Services	12,135
9890	Guidance	80,698
9910	Library/A.V.	39,463
9410	Admin. P. & S.	50,539
9420	Educational P. & S.	23,313
9440	Operations P. & S.	176
9460	Plant P. & S.	50,321
Total		$937,580

--Budget by Program for John F. Kennedy Junior High School for the Fiscal Year 1969-70 emphases become obvious, e.g., the school opted to spend $4,000 more for guidance services than for art, business, foreign language, music, and vocational programs combined. And, it would be a simple matter at this point to get a per pupil or a per teacher cost for each of the programs by dividing the program cost by the program's average daily membership or the number of teachers assigned.

I am not necessarily advocating the program structure used in the illustration, I believe the work by Roberts and Lichtenberger in U.S.O.E.'s Handbook II (revised) is a substantial improvement over normative practice. I do advocate however, that we include in our normative cost accounting practices, the reporting of costs by program (however defined).

State Studies

The program structure used in the preceeding illustration recognizes Administration, Curriculum Planning, Plant (including utilities and maintenance), Personnel Services and Food Services as independent programs. In doing so, it negates the necessity of prorating the salaries, supplies and equipment expenditures of those programs to instructional programs. However, that kind of program structure is not the one normally employed in program costs studies nor the one used in state studies by consultants of the National Educational Finance Project. Perhaps Rossmiller and Moran best summarized the problems generally encountered during those studies by saying:

> Since most school districts do not maintain accounting records based upon educational program structures, this . . . usually requires that current expenditures be allocated to programs at grade levels within the school district. Various rules can be used to allocate different categories of expenditures to programs

> and grade levels depending upon the availability of supporting data and the accuracy desired in the final results.[6]

Now let us turn our attention to some state studies of vocational and special education program costs. First we shall look at the findings of those studies and then the techniques utilized and finally, an alternative shall be demonstrated.

Findings -- State Studies of Vocational and Special Education Costs

Several states have done studies to determine the relative costs of their educational programs. And, as one might expect from the previous discussion, differing program structures were utilized. For the most part, however, each of the studies sought to cost-out the various grade-levels, Kindergarten, and selected categories of special education and vocational education programs. Some states added cost studies of compensatory and bilingual instructional programs as well as studies of transportation, capital-outlay and sparsity, among others.

Rossmiller and Moran[7] have outlined the major steps utilized in empirical studies of program costs--these steps are noted in Figure 8.

Figure 9 displays the vocational education cost indicies developed in studies of five states. Four of the state studies developed cost indicies consistent with the Department of Labor's program taxonomy while New Mexico established one cost-factor for all programs (an 0.8 "add-on" weight to

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[6] *R. A. Rossmiller and T. H. Moran, "Cost Differentials and Cost Indicies: The Assessment of Variations in Educational Program Costs," in School Finance in Transition, proceedings of the National School Finance Conference (Atlanta, Georgia, April 1973) p. 69.*

[7] *Ibid., pp. 64-71.*

FIGURE 8

EMPIRICAL STUDIES

1. Identify the educational program structure for which data are to be obtained in sufficient detail to identify meaningful distinctions between programs.

2. Identify alternative delivery systems which may be employed to provide the programs under consideration.

3. Select a representative sample of school districts which provide the educational programs being studied.

4. Collect the necessary data and compute cost differentials and cost indices by

    a. obtaining the full-time equivalent enrollment in each educational program in each school district,

    b. determining the current expenditure for each educational program in each school district,

    c. dividing the total cost of each program by the number of full-time equivalent students in the program,

    d. calculating the difference between the cost per pupil of the base program and the cost per pupil of the special program (the cost differential), and

    e. dividing the cost per pupil of the special program by the cost per pupil of the base program--the cost index.

R. A. Rosmiller and T. H. Moran, *Cost Differentials and Cost Indices: The Assessment of Variations in Educational Program Costs*, (mimeo), 1973.

FIGURE 9

VOCATIONAL EDUCATION COST INDICIES
State Studies

PROGRAM	Florida	Kentucky	New Mexico	South Dakota	Texas
Agriculture	2.61	2.13		2.10	2.63
Business	1.95	1.39		1.40	2.00
Distributive	1.61	1.50		1.50	1.25
Health	2.67	1.60		1.60	1.50
Home Economics	1.64	1.44		1.40	2.00
T&I	2.58	1.65		2.20	2.50
All Programs	(1.80)		2.00-2.20		

Junior High and Senior High weighted ADM for F.T.E. Vocational students). Only six out of a possible thirty cost-indicies displayed are outside the "reasonable range" established by the National Educational Finance Project[8] and those six exceptions are only marginally excessive. None is below the minimum recommended limit. It is important to note however, that different bases were used in those studies to establish the cost-indicies. Florida used grades 4 through 10 as the base cost against which other program costs were related, while Kentucky and South Dakota used grades 3 through 8 as their base cost and New Mexico and Texas used grades 4 through 6. The different bases do cause variability when the indicies are compared. For example, if the New Mexico-Texas base was chosen, the vocational program indicies of the other states would be under-stated; for Florida the understatement would be approximately 20 percent--representing about $117 per F.T.E. student under Florida's 1973 appropriation.

Figure 10 displays the cost-indicies developed in five state studies and the N.E.F.P. study regarding programs for exceptional children.[9] Again, different base costs were used in the studies and therefore it is inappropriate to compare those findings. Only three out of the fifty-nine cost indicies are in excess of the "reasonable range" established by the N.E.F.P., while five of the 59 indicies are below the recommended range.

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[8] *Financing the Public Schools in South Dakota (Gainesville, Florida: National Educational Finance Project, 1973) p. viii.*

[9] *R. A. Rossmiller, "Financing Programs for Handicapped Children," (mimeo), Address at the Council for Exceptional Children Conference, 1973.*

Techniques -- State Studies of Vocational and Special Education Costs

The methodology used in the state studies and several concomitant doctoral dissertations, generally have followed the methodology established in the N.E.F.P. special studies.[10] *For purposes of illustration, I have selected data from Clemmons' dissertation at the University of New Mexico which was a study of special education costs in Minnesota.*[11] *First, we must assume that a program structure has been established and a base against which to compare cost elements has been defined.*

Across the top of Figure 11 is listed the special programs to be costed. Down the left margin is listed the object-of-expenditure categories normally utilized for accounting. It can be seen that Clemmons has developed the per-pupil expenditures and its relationship to the regular program expenditure for each expenditure category and each special program. Figure 12 displays the mean and median costs computed for each special program, the excess cost of each program, and the cost-index for each program. The median cost index is probably the most meaningful since it depicts the mid-point of the distribution (half of the districts below and half of the districts above) and trends to level-out the influences of very high-expenditure districts and very low-expenditure districts. However, we are still considering a measure of central tendency.

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[10] *R. A. Rossmiller, J. A. Hale, and L. E. Frohreich, Educational Programs for Exceptional Children: Resource Configurations and Costs, special study No. 2, National Educational Finance Project (Madison, Wis.: Department of Educational Administration, 1970).*

[11] *A. L. Clemmons, "An Assessment of Variations in Special Education Program Costs in Six Selected Minnesota School Districts," unpublished Doctoral Dissertation, University of New Mexico, 1974.*

FIGURE 10 -- COST INDICES FOR EDUCATIONAL PROGRAMS FOR HANDICAPPED CHILDREN

Study PROGRAM	NEFP*	Kentucky**	Delaware**	Indiana	Texas	South Dakota
Elementary Programs		1.76	1.71	1.48	2.21	2.55
Gifted	1.13	1.88	--	--	--	--
Educable Mentally Retarded	1.92	1.68	1.49	2.03	--	2.43
Trainable Mentally Retarded	2.20	1.73	1.67	2.04	--	2.92
Learning Disabilities	2.50	1.52	2.29	1.50	--	2.47
Emotionally Disturbed	3.70	1.60	1.92	--	--	3.36
Speech Handicapped	1.25	1.62	--	1.22	1.36	--
Blind	3.48	--	1.83	--	--	--
Partially Sighted	3.48	1.79	1.83	--	--	--
Deaf	3.15	1.65	3.03	1.55	--	--
Hard of Hearing	3.15	1.62	3.03	--	--	--
Orthopedically Handicapped	3.26	1.54	1.76	4.18	--	3.94
Multiple Handicapped	2.80	1.65	--	--	--	--
Secondary Programs		1.80	1.51	--	2.29	2.41
Gifted	1.13	1.49	--	--	--	--
Educable Mentally Retarded	1.92	1.49	1.35	--	--	1.72
Trainable Mentally Retarded	2.20	1.48	1.24	--	--	1.69
Learning Disabilities	2.50	--	2.24	--	--	--
Emotionally Disturbed	3.70	1.35	1.95	--	--	3.96
Speech Handicapped	1.25	1.91	--	--	1.29	--
Blind	3.48	--	2.48	--	--	--
Partially Sighted	3.48	1.70	2.48	--	--	--
Deaf	3.15	1.22	3.05	--	--	--
Hard of Hearing	3.15	1.25	3.05	--	--	--
Orthopedically Handicapped	3.26	--	1.29	--	--	12.04
Multiple Handicapped	2.80	--	--	--	--	--
Occupational Programs	1.80	1.55	1.60	--	--	--
Preschool Programs						
Kindergarten	1.30	1.05	--	1.03	1.05	--

*Elementary and secondary levels were not distinguished; the base cost was 1-12 inclusive.
**Base cost for the secondary special programs was the secondary regular program.

FIGURE 11

MEAN PER PUPIL EXPENDITURES AND MEAN COST INDICES FOR EACH COST COMPONENT FOR SEVEN CATEGORIES OF SPECIAL EDUCATION IN SIX SELECTED MINNESOTA SCHOOL DISTRICTS FOR THE 1972-73 SCHOOL YEAR

	Hearing Impaired		Physically Handicapped		Educable Mentally Retarded		Trainable Mentally Retarded		Visually Handicapped		Speech Handicapped		Special Learning and Behavior Problems		All Categories	
Expenditure Category	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index
Management																
Administrative	402	5.19	376	5.57	138	1.54	249	2.97	888	15.84	108	1.26	153	1.66	331	4.86
Clerical and Secretarial	31	1.00	31	1.00	30	1.00	32	1.00	43	1.26	30	1.00	30	1.00	32	1.00
Instruction																
Fringe (Cert.)	73	5.49	44	3.12	32	2.00	41	2.43	88	8.32	20	1.24	47	2.93	49	3.65
Teachers	1,654	3.19	1,201	2.26	995	1.91	1,054	1.93	1,277	2.70	726	1.37	1,932	3.60	1,263	2.42
Teacher Aides	540	121.30	1,057	174.96	54	2.67	193	28.46					30	2.00	375	65.88
Instructional Support																
Equipment/ Supplies	247	3.79	118	1.94	90	1.61	108	1.88	217	3.54	67	1.11	107	1.70	136	2.22
Guidance & Counseling	43	1.57	50	1.82	28	1.12	16	1.00	43	2.31	26	1.00	28	1.12	33	1.42
Other	91	5.14	404	20.01	99	5.55	131	5.52	559	29.97	130	9.79	87	4.39	214	11.47

FIGURE 11 (continued)

Expenditure Category	Hearing Impaired		Physically Handicapped		Educable Mentally Retarded		Trainable Mentally Retarded		Visually Handicapped		Speech Handicapped		Special Learning and Behavior Problems		All Categories	
	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index	Cost/ Pupil	Cost Index
Institutional Operations																
Operation/ Maintenance	231	1.67	378	2.69	327	2.19	292	2.19	134	1.13	148	1.00	165	1.13	239	1.71
Fringe Benefits (Non-Cert.)	15	1.00	15	1.00	18	1.00	23	1.00	16	1.00	18	1.00	18	1.00	18	1.00
Other	36	1.00	36	1.00	42	1.00	52	1.00	46	1.00	42	1.00	42	1.00	42	1.00
Services																
Health	10	1.00	78	9.53	18	1.00	10	1.00	11	1.00	18	1.00	18	1.00	23	2.22
Food	49	1.00	49	1.00	51	1.00	52	1.00	49	1.00	51	1.00	51	1.00	50	1.00
Transportation Cost Per Pupil in ADM	40	1.00	40	1.00	48	1.00	45	1.00	40	1.00	48	1.00	48	1.00	44	1.00

FIGURE 12

MEAN AND MEDIAN PER PUPIL COSTS, COST DIFFERENTIALS AND COST INDICES FOR EIGHT CATEGORIES OF SPECIAL EDUCATION AND THE REGULAR SCHOOL PROGRAM FOR SIX SELECTED MINNESOTA SCHOOL DISTRICTS FOR THE 1972-73 SCHOOL YEAR

Special Education Category	Special Program Cost Per Pupil		Regular Program Costs Per Pupil		Cost Differential (A-B)		Cost Index (A/B)	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
	(A)		(B)		(C)		(D)	
Hearing Impaired	$3,217	$2,872	$1,075	$1,138	$2,142	$2,065	3.03	2.99
Physically Handicapped	3,404	2,975	1,075	1,138	2,329	1,945	3.33	2.89
Educable Mentally Retarded	1,934	1,904	1,121	1,163	814	746	1.73	1.71
Trainable Mentally Retarded	2,250	1,945	1,100	1,121	1,151	922	2.04	2.03
Speech Handicapped	1,432	1,440	1,121	1,163	311	293	1.29	1.27
Visually Impaired	3,410	2,407	1,016	1,030	2,394	1,377	3.78	2.34
Special Learning and Behavior Problems	2,735	2,022	1,121	1,163	1,615	924	2.39	1.75
Homebound/Hospital Instruction	1,370	1,369	1,121	1,163	250	248	1.24	1.18[a]

[a] School district records would not accommodate an FTE computation. Therefore, the influence of the teacher-pupil ratio is not included in the index.

An Alternative Method to Costing Programs

Gereme Taylor[12] has outlined an alternative to per pupil cost accounting under the rubric of Theoretical Studies. The delivery system structure of Taylor might be the one suggested by Jones and Wilkerson.[13]

Although neither the Taylor nor Jones-Wilkerson papers were available to us at the time, the development of special education program costs by delivery system was an objective of the Clemmons dissertation.

The importance of the program structure cannot be emphasized too much. It represents how a school district will view its program in terms of planning, budgeting, and evaluation. Also, the volume of dollars necessarily prorated during program cost studies tends to minimize the cost differences associated with program operations.

Three states are currently distributing state-aid to school districts based upon the cost index approach. Although a discussion and critique of those practices is beyond the scope of this presentation, the data representing their respective program structures is available.

Under any system of state-aid to vocational and special education programs, program managers are certain to feel like the "Oklahoma Mouse." Educational programs expand to consume the dollars available.

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[12] G. M. Taylor, "The Special Costs of Special Education," (mimeo), 1973.

[13] P. R. Jones and W. R. Wilkerson, "Options for Financing Special Education," (mimeo), National School Finance Conference, Orlando, Florida, March, 1974.